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CHAPTER 1. BILLING

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## CHAPTER 1. BILLING

### 1.01 GENERAL

a. Premium billing is an automatic function of the computer system which is accomplished on a weekly cycle. The billing routine results in the generation of bills each Monday of the month unless that day is a holiday. If so, the callup code is set for the next workday. The bill run is accomplished on Friday, and includes the callup dates through Monday. If Friday is a holiday, the callup will still be for Monday, but the billing will be generated with the runs that would start on Thursday rather than Friday.

b. The system will not generate premium notices after the premium due date if the next premium due date in the master record is more than [40] days before the billing callup date. The Monday billing routine must be taken into consideration in calculating the [40]-day callup date limit, when clerically preparing documents to force the system into the billing routine.

c. Premium billing is performed on direct pay (how paid 9) accounts only.

d. Policy loan and lien interest billing is accomplished on the same cycle as the premium billing.

e. The billing output tapes for both offices are airmailed from the Philadelphia DPC to the St. Paul DPC for / processing and preparation of the notices. After the bills have been printed and punched, they are delivered to the Administrative Division, St. Paul VA center, for insertion and mailing.

f. If the system will not initiate premium notices, they must be prepared manually. RPO (record printout) reason codes in the 700 series explain the types of cases involved. These reason codes are listed and defined in MP-6, part II, supplement No. 1.4.

g. Billing actions are not recorded on the transaction history lists. During the reopening period for NSLI (National Service Life Insurance) (May 1, 1965, to May 2, 1966) billing for J, JR and JS accounts was recorded on the daily transaction lists. This was discontinued as of June 3, 1968.

### 1.02 BILLING CALLUP CODES

The computer policy callup routine establishes a callup code 700 for premium billing, 320 for 4 percent loan interest billing, 330 for 5 percent loan interest billing, 321 for premium lien interest billing, and 322 for overpayment lien interest billing. Even though the callup code on 5 percent loan interest billing is 330, on the transaction history list it will be printed as 320. In addition, a callup code 701 is established to release a premium notice on other-than-monthly accounts after the dividend credit withdrawals reduce the balance to an amount which will pay one premium but not two. When the premium billing callup is reached and bills cannot be **initiated**, VA Form 29-5886 [b, Insurance] Record Printout, will be generated showing

a reason code in the 700 series, unless the bills cannot be initiated because of the (40]-day limitation, in which case no RPO is generated. These codes are listed and defined in MP6, part II, supplement No. 1.4. The dates selected to initiate these billing actions are shown in MP-6, part II, supplement No. 1.2, chapter 2.

### 1.03 PROCESSING VA FORMS 29-369 (P) OR (S), NOTICE OF PAYMENT DUE

a. All VA Forms 29-369 are printed and punched from the billing output tapes at the St. Paul DPC. Bills for the Philadelphia VA center are printed and punched on white card stock and those for the St. Paul VA center to have a yellow stripe across the top of the card. The program generates appropriate messages and indicates the type of notice released. The identification and messages are shown in MP-6, part II, supplement No. 1.2 figure 101 .F23D.

b. Only one VA Form 29-369 is produced from the output tapes for billing of policy loan and lien interest and other than monthly modes for premium. On monthly mode accounts for premium billing, 1 to 12 VA Forms 29-369 may be produced. A package of 12 notices is referred to as a packet. When less than 12 notices are produced, they are referred to as part packets.

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c. All VA Forms 29-369 produced by the St. Paul DPC are sent to the Administrative Division of the St. Paul VA center for inserting and mailing. The Administrative Division inserts return envelopes with the VA Forms ~29-369 and 29-5934, Change of Address for Insurance Purpose. A VA Form 29-5934 is mailed with each packet or single VA Form 29-369 produced. White envelopes are used for the Philadelphia accounts and light green envelopes for the St. Paul accounts.

### 1.04 BILLING OF FROZEN ACCOUNTS

A frozen billing run for premium billing is accomplished monthly by the Philadelphia DPC, and sent to the St. Paul DPC for processing as outlined in paragraph 1.03. This run attempts to bill those accounts when the master record is frozen and the callup (date] cannot be activated because of a life or policy freeze. The following conditions must be met before premium notices are authorized on any frozen accounts:

- a. There must be a life and/or policy freeze, and the how paid code must be direct pay (9).
- b. The billing code must reflect a premium notice due or past due.
- c. **There** is no XC or CASH SURR. pending diary.
- d. There is no pending deduction transaction (100 series).
- e. There is no policy callup code in the 950 or 970 series.
- f. There is no invalid date in the record (999 policy callup code).
- g. There is no 203 pending transaction.
- h. There is no cutback bill due on an endowment plan.
- i. On term accounts, pending renewal must be on or after the billing month.
- j. The next month due for TDIP and life premiums must be the same.

k. If monthly mode:

- (1) Next month due must be same as billing month, or
- (2) Next month due 1 to 3 months before billing month, or
- (3) Next month due 4 to 6 months before billing month with 200 or 201 pending transactions.

l. If quarterly mode:

- (1) Next month due must be the same as billing month, or
- (2) Next month due must be exactly 3 months before billing month, or
- (3) Next month due must be exactly 6 months before billing month with 200 or 201 pending transactions.

m. If semiannual or annual mode:

- (1) Next month due must be same as billing month, or
- (2) Next month due must be exactly 6 months before billing month for semiannual or exactly 12 months before billing month for annual mode with 200 or 201 pending transactions.

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### **1.05 BILLING OF TEMPORARY MASTER RECORDS**

Premium billing on temporary master records is accomplished on VA Form 29-369a, Payment Due on Pending Life Insurance Application, using the same weekly cycle as for regular master records. The callup date for billing will be 30 days before the next premium due date. The notices are released in accordance with the mode of record except that in the case of monthly modes, only a single bill is released. Packets are not released on temporary master records.

### **1.06 BILLING CODES IN MASTER RECORDS**

a. The billing code on the master record is used by the system to determine the billing callup date.

(1) On monthly mode accounts, the code is the last digit of the last year billed. The system adds 1 to the code to determine the year in which the next packet should be released. The month and day on which bills should be released are taken from the policy effective date. The next month due is used to determine whether a full packet or a part packet should be released. If the next month due is beyond the anniversary, bills are produced for the next month due through the month before the following anniversary. When premiums are paid to the following anniversary, no bills are generated but the bill code is updated by 1 year.

(2) On other than-monthly accounts, the bill code is a numeric representing the due month for which a notice was last released, provided that premium is still unpaid, or the policy code is a zero to indicate that there is no outstanding premium notice. If the code on an other than monthly account is a number from 01

to 12, the system skips the billing routine entirely. If the code is zero, it establishes a callup date 45 days before the next month due except for foreign accounts. Foreign accounts have a call up date of 2 months.

b. Automatic withdrawal from dividend credit to pay premiums on other than-monthly mode accounts will not change the bill code in the master record until the dividend credit balance is exhausted. However, VA Form 29-4459, Dividend Deposit (Credit Statement, will advise the insured that no further premium notices will be released until such time as a direct payment is made.

c. When dividends are applied to premiums under the premium option on other than-monthly mode accounts, the bill code is automatically set to zero. On monthly mode accounts the bill code is not changed.

### **1.07 BILLING ON REINSTATED ACCOUNTS**

Premium billing is automatically generated on monthly mode accounts which are reinstated by the program.

### **1.08 CLERICAL BILLING**

a. when flee premium billing function cannot generate VA Forms 29-369(P) or (S) or 29-369a, an RPO with a reason code in the 700 series will be received. These reason codes are listed and defined in MP-6 part II supplement No. 1.4. It will be necessary to clerically prepare and release one of the above forms with VA Form 29-5934 and return envelope(s).

b. When correspondence is received requesting premium notices, an RPO will be requested to determine if billing is necessary. If the account is paid in advance and billing is not necessary, FL 29-619 will be released to the insured.

c. If 3 monthly premium notices or less are required to provide bills to the policy anniversary date, VA Forms 29-369(S) or (P) will be clerically prepared. The paragraphs to be entered in the blank space beneath 4 the THIS NOTICE IS FOR block on the first notice may be overprinted on the bills if the volume warrants.

d. If more than 3 monthly premium notices are required to provide bills to the policy anniversary date and a request for bills is being processed in the grace period of the unpaid premium, one VA Form 29-369(S) or (P) will be prepared. input will be prepared to remove the freeze on the master record, if any, and to down date the

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bill code 1 year prior to the year for which a packet is needed. Normally, on the day input to down date a bill code is accepted, the computer will establish a 700 callup and a date. If the input to down date is accepted by the computer on a Monday, the callup date will be Monday the same date. If the input to down date is accepted later than Monday, the 700 callup date will be the next Monday. The downdating of the bill code will not generate a part packet of VA Forms 29-369(S) or (P) if the next premium due date in the master record is more than 40 days before the 700 callup date. If a part packet is not generated, the bill code will remain downdated but the 700 callup will be reinserted and the date of the callup will be Monday.

e. When a request for a bill is received for an account on a mode other than monthly, VA Form 29-369(S) or (P) will be clerically prepared. Input will be prepared to remove the freeze, if any, and update the bill code on the master record. The appropriate paragraph will be printed in the space beneath the, THIS NOTICE IS FOR, block on VA Form 29.369(S) or (P).

f. Clerically prepared VA Forms 29.369(S) or (P) and return envelopes will be sent to the insured.

g. When TDIP coverage ends during the period for which premium notices are to be released, the system will not initiate billing. It will also not initiate billing if the flat extra premium charge will end during the period for which premium notices are to be released. Instead, an RPO reason code 702 or 703 is generated for clerical preparation of appropriate premium notices. Billing must be accomplished clerically as some portion of the premium notice(s) will cover the dual premium and the remainder will be for the regular insurance premium only. The bill code will have been updated by the system.

h. If the policy will be automatically surrendered during the period for which premium notices are to be released, premium notices will not be released by the system. Instead, an RPO reason code 704 is generated. The insured will be notified of the pending surrender. Premium notices, at the correct mode, will be enclosed with the notification of automatic surrender. The bill code will have been updated by the system.

#### **[1.09 PROCESSING DAMAGED VA FORMS 29-369(T), NOTICE OF PAYMENT DUE**

a. All VA Forms 29-369(T) that are damaged during the bursting, inserting or sealing operations will be forwarded ~y the Administrative Division to the Policy Service Section in the following manner:

(1) All damaged documents resulting from other than monthly or loan interest billing should be grouped together, attached to a VA Form 3230, Reference Slip, and forwarded to the appropriate Policy Service Unit.

(2) All damaged documents resulting from monthly packet billing should be associated into a complete set, clipped together on an individual basis, attached to a VA Form 3230 and forwarded to the appropriate Policy Service Unit.

b. When the damaged documents are received in the Policy Service Unit, a VA Form 29-5886b will be requested and when received, associated with the documents. Input will be prepared to:

(1) Downdate the bill code to "00" when an other-than monthly bill is needed.

(2) Downdate the bill code to 1 year prior to the year for which a packet is needed.

(3) Prepare a VA Form 29-369(P) or(S) if a loan interest bill is needed.] i

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**Change 6**

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CHAPTER 2. POSTING

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a. Remittances tendered for payment of insurance premiums are processed by the Collections Unit as premium posting transactions. Transaction type codes in the 200 series are classified as follows:

<u>Transaction Type</u>	<u>Description</u>
200	Paid as billed
201	Not paid as billed
202	Identified by index
203	Application received

These transactions are processed in the premium posting function of the daily run 140 to update the next month due in the premium segment of the master record.

b. Other premium posting transactions are created as I/T (immediate transactions) by the program Logic or as a result of input introduced clerically. These I/T's are listed and defined in MP6, part II, supplement No. 1A, chapter 2.

c. If the premium posting transactions cannot be processed by the system, VA Forms 29-5886b, Insurance Record Printout, are generated for clerical analysis and processing. A reason code in the 200 series is printed in the reason code area of the RPO (record printout). A listing and definitions of these reason codes are contained in MP-6, part II, supplement No. 1A, chapter 1. The definition of the code(s) will be the guide to the clerical action required. The premium posting transactions will appear in the pending transaction area on the RPO.

d. Posting will not be accomplished by the program when any of the following conditions exist:

- (1) There is a life or policy freeze (other than 500 series).
- (2) The payment is not timely (within 61 days of the premium due date).
- (3) The insured has more than two policies and the payment is coded 201 (not paid as billed).
- (4) The payment is coded 201 (not paid as billed) but the amount does not Logically post.
- (5) Payment is coded 202 (indexed item) or 203~(application received).
- (6) The how paid code is other than 8 (payroll deduction) or 9 (direct pay). [ ]

e. Remittances tendered for payment of loan or lien indebtedness are processed by the Collections Unit and coded as follows:

<u>Transaction Type</u>	<u>Description</u>
300	Loan repayment
302	Lien repayment

These transactions are introduced into the system for application to the loan or lien segment of the master record. Other loan or lien repayments are created in deduction runs, and I/T's are created by the program logic in addition to input introduced clerically. These transaction types and I/T's are listed and defined in MP-6, part II, supplement No. IA, chapter 2.

f. When correspondence from the insured accompanies a premium payment requesting a receipt or status of the account, an 8 will have been punched in the Collections input. This code will cause automatic release of VA Form 29-5885,

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(6) VA Form 29-8525, Dividend/Loan/Lien, is prepared to adjust the dividend credit/deposit, loan or lien segment of each policy involved, and may also be used to delete a pending transaction.

(7) VA Form 29-5899, Request For Record Print Out (ADP), or VA Form 29-8529, RPO/Reinstatement/Status [j], may be prepared to cause the system to generate status.

d. When it is necessary to clerically update or change the master record and delete a pending posting transaction which contained the code 2, 8 or 9, action may be required to clerically prepare the following forms to advise the insured of the action taken or reply to his request for status or other information:

(1) **Form**, form letter or dictated letter to advise the insured of status or other information.

(2) VA Form 29-1461, Payment Receipt, to cover any amount applied to a loan or lien account.

(3) VA Form 294459, Dividend Deposit/Credit Statement, to indicate new balance and amount withdrawn for application to premium, loan or lien.

### 2.03 PROCESSING UN COLLECTABLE REMITTANCES

a. When a payment from an insured is returned by the bank on which it was drawn for insufficient funds, the check is automatically redeposited by the Federal Reserve. If the check is returned after redeposit, because of death, account closed, etc., the Collections Unit will prepare VA Form 29-5899 which will generate an RPO and **enter** a pending diary to identify the uncollectible payment.

b. VA Forms 29-5899 will be mechanically listed for each day number, and a copy of the listing with the uncollectible items attached will be sent to the appropriate unit. The listing will show the file number, name **code**, original unit number and amount of the check, and a batch number. The DV (debit voucher) number is entered on the line with each item on the listing.

c. The listing and uncollectible items will be held at a control point in each unit for association with RPO's **and(or)** reject cards. When associated, the RPO and uncollectible item will be distributed for processing. The listing **will** be retained for control and disposal entries. The following stamp impression will be placed in the lower **right corner of the** RPO:

UNCOLLECTIBLE CHECK

Reason  
CHECK DATA  
Amt. \_\_\_\_\_ Date  
F4499a  
PMD \_\_\_\_\_ Par.9  
Released  
READY FOR FILE

d. VA Forms 29-5899, when introduced into the system, will normally trigger automatic processing of the uncollectible remittance. If the uncollectible items are processed or processing cannot be accomplished automatically, RPO's **with** the following reason codes are generated:

Reason Code	Description
BC 203	The uncollectible remittance (a 203 pending posting transaction) and the diary were deleted by the program from the pending transaction tape. A determination will be made as to the action required on the application received with the payment.

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**2.04 PROCESSING NONNEGOTIABLE CHECKS**

**a. When a nonnegotiable check is received in the Collections Unit, it will be returned directly to the sender by the Collections personnel. FL [4-299] will be used as the transmittal. A file will be established for the duplicate copy of the form letter. The file will be maintained by calendar month in processing day number order. It will be available for searching by insurance personnel. The file will be disposed of in accordance with Records Control Schedule VB-1, [part j, item No. 134)52.2j, after 4 months [ j -**

**b. If enclosures are received with a nonnegotiable remittance, they will be noted to show release of the form letter and the check and, if not already shown, the file number will be added. The enclosures, with the remittance envelope, will then be forwarded to the Policy Service Section.**

**c. (Deleted.)**

**d. If an application and/or correspondence is received with a nonnegotiable remittance, the remittance, application and/or correspondence will be delivered to the Chief, Policy Service Section. The policy service clerk will review the application to determine if it is acceptable and release a letter to the insured, in duplicate, explaining the reason for non acceptance of the remittance and request any information which may be needed to process the application. The insured will be instructed to return the copy of the VA letter with his or her remittance within 31 days or the application will be disapproved. The application with a copy of the letter will be filed in the pending folder maintained by the policy service clerk.**

## 2.05 PROCESSING FOREIGN CHECKS

a. Checks drawn in foreign currencies are forwarded to the Treasury Department for collection. The Collections Unit prepares VA Form 29-[367a-2j, Collection and Payroll Deduction Card, except for the amount of the remittance. Input is  
~ prepared to request an RPO and to enter a freeze diary on the master record. The diary  
~ message is "FC" followed by the postmark date of the payment.

b. The policy service clerk will review the FGNCK RPO to determine if the payment is timely. If timely, no further action will be taken at that time. If not timely, a dictated lapse letter will be released to the insured and input will be prepared to enter the 502 (second lapse) policy callup, and the callup date will be 65 days after the next premium due date.

c. When the Collections [Unit] has been notified by the Treasury Department that collection of the foreign remittance has been accomplished, the collections item will be inserted into the system. An RPO with reason code 200 will be generated since the master record is frozen.

d. When the RPO with reason code 200 is received, it will be reviewed to determine if the pending posting item is timely for application to the account. If it is not timely, no further action will be taken until the second lapse letter is released or an application for reinstatement is received.

e. If the pending posting transaction is timely and can be applied, input documents will be prepared to delete the pending diary, the pending posting transaction and update the next premium due on the master record. If the posting results in a premium shortage, advise the insured and request the payment of the shortage.

f. If the pending posting transaction is timely but cannot be applied because the shortage is more than 10 percent of a monthly premium, or the resultant shortage plus an outstanding shortage exceeds 30 percent of a monthly premium, the following action will be taken:

(1) Delete the pending diary previously inserted.

(2) Change the callup code to 502 (second lapse action) or 503 (final lapse action), whichever is in order.

g. Uncollectible Foreign Checks. When credit has been given for a foreign check and it later becomes uncollectible, the remittance will be processed in accordance with the regular procedure for processing uncollectible remittances. When credit is

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e. When the computer system is to compute how far \$X,XXX.XX will pay premiums, the computation code is 5 and the computation date is a FROM date. The amount of payment is entered in blocks 34-39 of VA Form 29-323 or the Withdrawal Amount or Amount of Check Requested field on VA Form 29-8521.

The necessary computations will be made and a VA Form 29-5885 generated with the following completed paragraph:

A PAYMENT OF \_\_\_\_\_ ~ WILL PAY PREMIUMS ON YOUR POLICY FROM THE NEXT PREMIUM DUE DATE SHOWN TO \_\_\_\_\_ WITH A (CREDIT) OR (SHORTAGE) OF \_\_\_\_\_ PROVIDED YOUR PAYMENT 15 MAILED ON OR BEFORE \*\*

*\*This is the amount of payment specified by the insured.  
\*\*This is the computation date entered on the input.*

f. When the computer system is to compute the amount of payment required to pay premiums through a specified future date, the computation code is 6 and the computation date the future date premiums will be paid through. The computer system will provide the FROM date based on the current processing day number and the status of the account.

*NOTE: Since VA Form 29-323 contains only one digit to represent YEAR (block 26 of the Postmark or Computation Date field) the computation date requested is limited to the current year or any year within the next 10 years from the computation date.*

The necessary computations will be made and a VA Form 29-5885 generated with the following completed paragraph:

A PAYMENT OF \_\_\_\_\_ WILL PAY PREMIUMS ON YOUR POLICY FROM THE NEXT PREMIUM DUE DATE SHOWN TO \_\_\_\_\_ ~ PROVIDED YOUR PAYMENT IS MAILED ON OR BEFORE \_\_\_\_\_ \*\*.

*\*This date is specified by the insured and entered as the computation date on the input.  
\*\*This date must be determined by the program as follows:  
The premium due date after current processing date if 15 days or more, or the second premium due date after current processing date if less than 15 days.*

g. When any of the conditions listed in MP-6, part II, supplement No. 1 .4, chapter I, RPO reason code 61 I, are on the master record, the computer system will not process premiums in advance. If input is entered, an RPO, reason code 611 , will be generated.

h. When the computer system is unable to provide the information needed on premiums in advance, clerical processing is initiated. Calculation of premiums in advance are based on the rules provided in M29-I, part I, chapter 2. Examples of the calculations are shown in figures 2.10 through 2.12.

**EXAMPLE VI**

M/R Balance Before Transaction	\$1,020.00
Interest Billed of Record	\$ 20.00
Anniversary Date	July 1
Interest Year	71
Transaction Amount	\$ 20.00
Transaction Date	July 15, 1971
Number of Days Late	14
M/R Balance After Transaction	\$ 1,000.00
New Interest Billed	\$ .00

*Explanation: Accumulated interest not charged since the transaction amount is equal to interest billed and the transaction date is not more than 20 days late.*

INS. FILE NUMBER	POLICY NUMBER	PAYMENT DATE	PAYMENT AMOUNT
PRINCIPAL Balance Before PAYMENT	AMOUNT APPLIED TO PRINCIPAL	PRINCIPAL e after PAYMENT	7 15 71 \$20.00 ANNIVERSARY DATE
			GOVERNMENT LIFE INSURANCE
\$1000.00	\$1000.00	7 1	
INTEREST CREDIT	UNPAID INTEREST		PAYMENT RECEIPT
	\$20.90		

This RECEIPT is not valid Until the remittance, if tendered by check Or draft, is honored On presentation for payment.

KEEP THIS PORTION OF THE form FOR FEDERAL INCOME TAX PURPOSES.

**Figure 2.06. Posting of Loan Payment and Interest**

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**EXAMPLE VIII**

M/R Balance Before Transaction	\$ 899.78
Interest Billed of Record	\$ .00
Anniversary Date	July 1
Interest Year	71
Transaction Amount	\$ 100.00
Transaction Date	July 21, 1971
Number of Days LATE	20
M/R Balance After Transaction	\$ 799.78
Interest Billed Replaced by Accumulated Interest Amount	\$ .22

*Explanation: Accumulated interest is computed on the entire transaction amount of \$100 since the transaction amount exceeded the amount of interest billed.*

INS. FILE NUMBER	POLICY NUMBER	PAYMENT DATE	PAYMENT AMOUNT	
		7 21 71	\$100.00	
PRINCIPAL BEFORE PAYMENT	TO PRINCIPAL	PRINCIPAL R AFTER P	LOAN OR LIEN	ANNIVERSARY DATE
\$899.78	\$100.00	\$799.78		7 1
INTEREST CREDIT		PAID INTEREST		

GOVERNMENT LIFE Insurance

PAYMENT RECEIPT

**This RECEIPT is not valid until the remittance, if tendered by check Or draft, is honored on presentation for payment**

KEEP THIS PORTION OF THE FORM FOR FEDERAL INCOME TAX PURPOSES.

**Figure 2J)8. Posting of Loan Payment and Interest**

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**EXAMPLE 1**

**Required:** Payment needed as of August 1, 1970 (postmark date July 2, 1970, to August 1, 1970) to pay all remaining premiums on a \$6,000 Twenty-Payment Life Service-Disabled Veterans Insurance (RH) policy, effective date March 1, 1959, issue age 30. Premiums are currently paid through January 31, 1971 (next premium due February 1, 1971).

**Solution:**

1. Monthly premium per \$1,000 is \$2.43.
2. August 1, 1970, to February 1, 1979, inclusive, is 103 months.
3. 21"4 percent present value factor for 103 months is 93.84862.
4.  $93.84862 \times \$2.43 = \$228.05$ .
5. 2Y4 percent present value factor for 6 months (August 1, 1970, through January 31, 1971, inclusive) currently paid in advance is 5.97228.
6.  $5.97228 \times \$2.43 = \$14.51$ .
7.  $\$228.05 - \$14.51 = \$213.54$ .
8.  $\$213.54 \times 6 = \$1,281.24$  payment needed.

**Figure 2.10. Payment Needed To Pay All Remaining Premiums**

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**April 27, 1972**

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**EXAMPLE 111**

**Required:** Payment needed to pay premiums on a \$5,000 Ordinary Life National Service Life Insurance (V) policy, issue age 40, to November 1, 1981, if payment is made as of April 1, 1970 (postmark date January 2, 1970, to April 1, 1970, or during the grace period after April 1, 1970). Premiums currently paid through March 31, 1970 (next premium due April 1, 1970).

**Solution:**

1. April 1, 1970, to November 1, 1981 is 139 months.
2. 3 percent present value factor for 139 months is 117.84742.
3. Monthly premium per \$1,000 is \$2.12.
4.  $117.84742 \times \$2.12 = \$249.84$ .
5.  $\$249.84 \times 5 = \$1,249.20$  payment needed.

**Figure 2.12. Payment Needed To Pay Premiums To a Date]**

March 4, 1988

Chapter 3 - Lapse

- A. Change: M29-1, Part 11, Chapter 3. This advance manual change outlines **the** new procedures for accepting applications for reinstatement. The comparative health reinstatement period is being restored to six months. Also, VA Form 29-353a, Application For Reinstatement (Nonmedical), will be used to reinstate when the insurance has been lapsed for more than six months but less than one year, regardless of the age of the insured.
- B. Procedure:
1. Page 3-5, delete subparagraph 3.07c(1) in its entirety and substitute the following:
    - (1) VA Form 29-352, Application For Reinstatement (Medical). This form is used when insurance has been lapsed for more than one year. VA Form 29-352a, Supplemental to Medical Application, will also be enclosed if a payment is required.
  2. Page 3-5, delete subparagraph 3.07c(3) in its entirety and substitute the following:
    - (3) VA Form 29-353a, Application For Reinstatement (Nonmedical). This form is used when the insurance has been lapsed for more than 6 months **but** less than one year.
  3. Page 3-6, paragraph 3.07e. Change the number "6" to number ~12~.
  4. Page 3-6, subparagraph 3.08a(5). Delete the last sentence, "OTHERWISE, A PHYSICAL EXAMINATION BILL BE REQUIRED."
- 2.

March 4, 1988

- C. New or Revised Insurance Forms: VA Form 29-352 and VA Form 29-353a (Changes being developed).

PAUL KOONS  
Assitant Director for Insurance

Distribution:

335/29	92
310/290	51
310/291	1
310/292	142
310/295	67
310/LIBRARY	1
CO/3IID	2
TOTAL	356

29OA/O57      RC:slc

**April 27,1972**

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Change 6**

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### CHAPTER 3. LAPSE

#### 3.01 PROCESSING BY THE SYSTEM

a. The processing in the lapse function is on a biweekly cycle (Monday and Wednesday). The system is programmed to select accounts for release of VA Form 29-389a, Notice of Past Due Payment, 43 days after the next premium due date. The callup code is 501. [If the policy on which premiums are due has sufficient dividend accumulation under the credit option to pay the missing premiums, the VA Form 29-389a will not be released. The callup code for selecting accounts for release of VA Form 29-389, Notice of Lapse, is 502, and the callup date is the next premium due date plus 65 days. It is at this time that premiums are withdrawn from dividend credits to prevent lapse. The callup code for final lapse action is 503, and the [callup date is the next premium due date plus 195 days.

b. Unless a condition is encountered which prevents the system from taking action or program logic indicates that clerical action is required, the system will release VA Form 29-389a regardless of the number of policies for an insured. Provided the insured has no more than two policies, the system will release VA Form 29-389 and take final lapse action. Where the insured has more than two policies and one lapses, (502 callup) the system will not release VA Form 29-389. It will take final lapse action provided the callup code (503) and date for final lapse action has been clerically inserted in the master record.

c. When the system is unable to take lapse action, a VA Form 29-5886a, Record Print Out, (RPO), with a reason code in the 500 series is generated. The definition of reason codes in MP-6, part II, supplement No. 1.4 indicates the reason action was not taken.

d. On temporary records, one lapse notice, VA Form 29-389e, Notice of Past Due Payment, is released 48 days after the next premium due date.

#### 3.02 CLERICAL PREPARATION AND RELEASE OF VA FORM 29-389a, NOTICE OF PAST DUE PAYMENT

a. When an RPO indicates that a payment is due and has not been paid 43 days after the next month due, examine the RPO to determine if a VA Form 29-389a should be prepared and released. The form will not be prepared under the following conditions:

- (1) There is a life or policy freeze.
- (2) There is of record a timely authorization for deductions of premiums from benefit payments or active or retired service pay.
- (3) An application for reinstatement or contract change is pending.
- (4) An application for a loan is pending.
- (5) The account is subject to an administrative adjustment.
- (6) Less than 7 days remain between the current date and the final date for accepting a payment as timely. A dictated lapse letter will be released unless there are dividends available to prevent lapse.

(7) There are dividend credits to pay the premium due.

(8) An XC diary is on the account.

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b. In preparing VA Form 29-389a', the date to be entered in the column headed Final Date will be the last day for accepting a payment as timely as shown on VA Form 29-1699a, Table of Final Dates Premiums May Be Tendered, or Accepted as Timely. Provided Insured Is Alive. When the mode of premium payment is monthly, the following paragraph will be added:

THE AMOUNT DUE SHOWN ABOVE IS I MONTHLY PREMIUM. HOWEVER, THE PREMIUM FOR THE CURRENT MONTH IS ALSO DUE. YOU SHOULD, IF POSSIBLE, SUBMIT AT LEAST 2 MONTHLY PREMIUMS TO KEEP YOUR ACCOUNT CURRENT.

When VA Form 29-389a is released clerically, prepare VA Form 29-5892a, Policy Input, or VA Form 29-8530, Life/Miscellaneous, transaction type 082, to change the callup type to 502 and the callup date to the next month due plus 65 days.

**3.03 REVIEW FOR LAPSE ACTION**

a. In addition to RPO's with reason codes in the 500 series indicating lapse, an RPO with a policy callup of 970 or 998 will be reviewed for possible lapse action as well as for the reason for which it was generated. When lapse action must be taken clerically, examine the RPO to determine if credits are available which can be used to prevent lapse. When an insured has policies other than the one on which lapse action is being taken, also examine those accounts for available credits. The lapse letter will not be prepared until this action has been taken.

b. A notice of lapse will not be prepared and released clerically if one of the following conditions exists:

(1) Part of reinstatement requirements have been met and additional information has been requested.

(2) There is of record a certified statement or a fully executed VA Form 9-684, Certified Statement-Lost or Delayed Remittance, furnishing information regarding a payment alleged to have been lost or delayed in transit.

(3) Search is being made for a payment claimed to have been tendered and information has been furnished on VA Form 29-1581, Transmittal of Premium Payment Information, or through other means.

(4) An application for a loan, conversion, reduction, change of plan, or exchange is pending.

(5) There is of record a timely authorization for deduction of premiums from benefit payment or service pay.

(6) An XC diary is on the account.

(7) There are sufficient dividend credits to pay premiums, or the dividend option is premium or credit, the premium for the 10th month has been paid and earned, and the dividend will be sufficient to pay premiums for the 11th and 12th month.

(8) The insured has inquired before the end of the 31-day grace period disclosing a clear intent to continue insurance protection.

#### 3.04 USE OF ADMINISTRATOR'S DECISION NO. 902 (ADM. DEC. 902) CREDITS TO PREVENT LAPSE

a. Administrator's Decision No. 902 is the authority for the use of available credit to prevent lapse. Available credit is any amount from any policy which is subject to refund, except unearned premiums or premiums subject to refund because of a finding of total disability. Credits resulting from payment of premiums, life or TDIP, and excessive amounts tendered in payment of loan or lien indebtedness may be used to prevent lapse of insurance and/or TDIP provided:

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### CHAPTER 3. LAPSE

#### 3.01 PROCESSING BY THE SYSTEM

a. The processing in the lapse function is on a biweekly cycle (Monday and Wednesday). The system is programmed to select accounts for release of VA Form 29-389a, Notice of Past Due Payment, 43 days after the next premium due date. The callup code is 501. [If the policy on which premiums are due has sufficient dividend accumulation under the credit option to pay the missing premiums, the VA Form 29-389a will not be released.] The callup code for selecting accounts for release of VA Form 29-389, Notice of Lapse, is 502, and the callup date is the next premium due date plus 65 days. It is at this time that premiums are withdrawn from dividend - credits to prevent lapse. The callup code for final lapse action is 503, and the [callup] date is the next premium due date plus 195 days.

b. Unless a condition is encountered which prevents the system from taking action or program logic indicates that clerical action is required, the system will release VA Form 29-389a regardless of the number of policies for an insured. Provided the insured has no more than two policies, the system will release VA Form 29-389 and take final lapse action. Where the insured has more than two policies and one lapses, (502 callup) the system will not release VA Form 29-389. It will take final lapse action provided the callup code (503) and date for final lapse action has been clerical ally inserted in the master record.

c. When the system is unable to take lapse action, a VA Form 29-5886~~ Record Print Out, (RPO), with a reason code in the 500 series is generated. The definition of reason codes MP-6-6, part II, supplement No. 1.4 indicates the reason action was not taken.

d. On temporary records, one lapse notice, VA Form 29-389e, Notice of Past Due Payment, is released 48 days after the next premium due date.

#### 3.02 CLERICAL PREPARATION AND RELEASE OF VA FORM 29-389a, NOTICE OF PAST DUE PAYMENT

a. When an RPO indicates that a payment is due and has not been paid 43 days after the next month due, examine the RPO to determine if a VA Form 29-389a should be prepared and released. The form will not be prepared under the following conditions:

(1) There is a life or policy freeze.

(2) There is of record a timely authorization for deductions of premiums from benefit payments or active or retired service pay.

(3) An application for reinstatement or contract change is pending.

(4) An application for a loan is pending.

(5) The account is subject to an administrative adjustment.

(6) Less than 7 days remain between the current date and the final date for accepting a payment as timely. A dictated lapse letter will be released unless there are dividends available to prevent lapse.

(7) There are dividend credits to pay the premium due.

(8) An XC diary is on the account.

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b. In preparing VA Form 29-389a', the date to be entered in the column headed Final Date will be the last day for accepting a payment as timely as shown on VA Form 29-1699a, Table of Final Dates Premiums May Be Tendered, or Accepted as Timely, Provided Insured Is Alive. When the mode of premium payment is monthly, the following paragraph will be added:

THE AMOUNT DUE SHOWN ABOVE IS 1 MONTHLY PREMIUM. HOWEVER, THE PREMIUM FOR THE CURRENT MONTH IS ALSO DUE. YOU SHOULD, IF POSSIBLE, SUBMIT AT LEAST 2 MONTHLY PREMIUMS TO KEEP YOUR ACCOUNT CURRENT.

When VA Form 29-389a is released clerically, prepare VA Form 29-5892a, Policy Input, or VA Form 29-8530, Life/Miscellaneous, transaction type 082, to change the callup type to 502 and the callup date to the next month due plus 65 days.

**3.03 REVIEW FOR LAPSE ACTION**

a. In addition to RPO's with reason codes in the 500 series indicating lapse, an RPO with a policy callup of 970 or 998 will be reviewed for possible lapse action as well as for the reason for which it was generated. When lapse action must be taken clerically, examine the RPO to determine if credits are available which can be used to prevent lapse. When an insured has policies other than the one on which lapse action is being taken, also examine those accounts for available credits. The lapse letter will not be prepared until this action has been taken.

b. A notice of lapse will not be prepared and released clerically if one of the following conditions exists:

(1) Part of reinstatement requirements-have been met and additional information has been requested.

(2) There is of record a certified statement or a fully executed VA Form 9-684, Certified Statement-Lost or Delayed Remittance, furnishing information regarding a payment alleged to have been lost or delayed in transit.

(3) Search is being made for a payment claimed to have been tendered and information has been furnished on VA Form 29-1581, Transmittal of Premium Payment Information, or through other means.

(4) An application for a loan, conversion, reduction, change of plan, or exchange is pending.

(5) There is of record a timely authorization for deduction of premiums from benefit payment or service pay.

(6) An XC diary is on the account.

(7) There are sufficient dividend credits to pay premiums, or the dividend option is premium or credit, the premium for the 10th month has been paid and earned, and the dividend will be sufficient to pay premiums for the 11th and 12th month.

(8) The insured has inquired before the end of the 31-day grace period disclosing a clear intent to continue insurance protection.

### 3.04 USE OF ADMINISTRATOR'S DECISION NO. 902 (ADM. DEC. 902) Credits **TO PREVENT LAPSE**

a. Administrator's Decision No. 902 is the authority for the use of available credit to prevent lapse. Available credit is any amount from any policy which is subject to refund, except unearned premiums or premiums subject to refund because of a finding of total disability. Credits resulting from payment of premiums, life or TDIP, and excessive amounts tendered in payment of loan or lien indebtedness may be used to prevent lapse of insurance and/or TDIP provided:

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(1) The credit was available within 61 days from the due date of the unpaid premium.

(2) The policyholder has not directed that the credit be used for another purpose.

(3) The amount of credit is sufficient to pay the premium in default. The usual 10 percent shortage rule is applicable.

b. If sufficient credits are available, the following rules will apply in the application of the credit.

(1) The date of such credit **will** be the date the amount became available.

(2) If there is more than one lapsed account, the credit will be applied to the account which lapsed first. When the lapse dates are the same, the credit will be applied to provide-the maximum amount of insurance.

(3) Where credits may be applied to prevent lapse of either insurance or TDIP, preference will be given to keeping the life insurance in force.

(4) Administrator's Decision No. 902 credits will be used before effecting withdrawal of any dividend credits.

c. If the lapsed account can be updated by use of credit from other policies and that credit is in the overage field, prepare VA Form 29-5893a, Premium Input, or 29-8523, Premium/TDIP, transaction type 083, for each policy from which credits are withdrawn. In addition, take the following action:

(1) Prepare VA Form 29-5893a or 29-8523, transaction type 083, to up date the account to where the credit is applied. Transaction type 087 is also required if TDIP segment is updated. If VA Form 29-5893a is prepared and TDIP is involved, prepare VA Form 29-5894b, TDIP Input Card Only, transaction type 087, to update the TDIP segment.

(2) Advise the insured of the status off account and furnish premium notices, if necessary.

d. If credits were available which could have been used to prevent lapse and the credits were erroneously refunded, establish a lien and follow the above instructions for updating the master record and advising the insured.

### **3.05 USE OF DIVIDENDS TO PREVENT LAPSE**

a. Dividend credits and/or accumulated interest on dividend credits may be used to prevent lapse of any policy belonging to the insured regardless of the fund under which the dividend was earned provided:

(1) There is no indication that before the premium due date there was an expression from the policyholder that ~~~~~g~~ desires the insurance.

(2) There is no request for other disposition of the dividend before the due date of the unpaid premium.

(3) The amount of the credit is sufficient, within the 10 percent shortage rule.

b. Accumulated interest on dividend credit accounts will not be used unless it is needed to complete a premium payment because the principal balance is insufficient. Whenever a withdrawal is made to prevent lapse and accumulated interest is needed to complete the necessary premium payment amount, only that amount of accumulated interest needed will be used. Whenever accumulated interest is included in a transaction amount, the

VA Form 29A459, Dividend Deposit/Credit Statement, prepared clerically or by the system, will show the amount of accumulated interest used in the INTEREST block of the form. The DIVIDEND ADDED OR WITHDRAWN block will show the total of the counts in the BALANCE BEFORE THIS ACTION and

INTEREST blocks. The entry in the block NEW BALANCE AFTER this ACTION will be zero. (Any remaining accumulated interest will be held until the next annual interest addition date when it will be added to the dividend credit balance.)

c. If the policy can be updated by use of available dividend credits from one or more accounts, take the following action:

(1) Prepare VA Form 29-5894a, Optional Segment Input, or 29-8525, Dividend/Loan/Lien, transaction type 084, to withdraw the required amount from the dividend credit balance. If withdrawal is made from more than one account, prepare a separate form to adjust the dividend balance on each account involved.

(2) Prepare VA Form 29-5893a or 29-8523, transaction type 083, to update the next month due in the premium segment. If VA Form 29-5893a is used and TDIP is involved, prepare VA Form 29-5894b, transaction type 087, to update the next month due in the TDIP segment.

(3) Release VA Form 294459 or an appropriate notice.

d. Where the existing dividend credit, plus all accumulated interest due, is insufficient to pay the 11th premium month and the system cannot take the necessary action, it will generate an RPO reason code 573 if the premium for the 10th month has been paid at lapse callup time. The following clerical action will be taken upon receipt of the RPO:

(1) Determine the following:

(a) Current year dividend amount payable, plus dividend credit balance and total accumulated interest, minus

(b) Monthly premiums. (The amount of the dividend must be sufficient to pay the 11th and 12th month \_\_\_ premiums.) The amount remaining will be the new dividend credit balance to be entered in the master record.

(2) Prepare VA Form 29-394, Dividend Transaction Input, or 29-8528, Paid Dividend/Dividend History, transaction type 616. Debit account for the current dividend year (45 or 49) and credit 39 for the amount of the current year dividend payable.

(3) Prepare VA Form 29-5893a or 29-8523, transaction type 083. Debit 39 and credit 32 for amount applied to premiums.

(4) Prepare VA Form 29-5894a or 29-8525, transaction type 084. Debit 39 and credit II for the amount of entry made in the Dividend Credit Balance field minus the dividend credit balance shown on the RPO. Debit 40 for the amount of the accumulated interest and credit 39.

(5) Prepare two VA Forms 294459 to reflect the actions.

e. Dividends under the premium option will also be clerically authorized when not authorized by the system **and** applied to pay premiums, provided the premium for the 10th month of the policy year has been paid and the dividend is sufficient to pay premiums for both the 11th and 12th months.

### **3.06 USE OF PURE INSURANCE RISK (PIR) CREDITS TO PREVENT LAPSE**

**a.** When an RPO is received showing a Section 724 waiver in force on a permanent plan of insurance **on date** of lapse, prepare VA Form 29-320, Request for Calculation, and send it to the Actuarial computers to obtain calculation of PIR credits. The computation will be made from the month and year of the last PIR refund to the date of lapse. After computation is received, apply the entire amount of PIR credit at present value **to update** the master record, inserting any balance in the premium credit or shortage field.

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(1) Prepare VA Form 29-5892a, Policy input, or 29-8522, Policy, transaction type 082, to update the month number of the PIR refund.

(2) Prepare VA Form 29-5893a or 29-523, transaction type 083, to update the premium segment. If VA Form 29-5893a is used and TDIP is involved, prepare VA Form 29-5894b, transaction type 087, to update the TDIP segment.

(3) The VA Form 29-320 will be stamped Ready for File, signed, dated and filed in the insurance folder.

(4) The insured will be advised by dictated letter of the action taken on the PIR credits, and the means available to him/her; for withdrawal of unearned premiums, if desired. He or she will be requested to furnish evidence of separation, if this is indicated.

b. PIR credits are used only for life insurance premiums, no control account entries are required on VA Form 29-5893a or 29-8523 since the PIR credit has already been credited to the premium fund. However, if PIR credits are applied as both life and TDIP premiums and VA Form 29-5893a is used, prepared a second VA Form 29-5893a and any other related documents to accomplish the accounting.

### 3.07 LAPSE ACTION AND FURNISHING REINSTATEMENT REQUIREMENTS

a. When it is necessary to release the initial lapse letter clerically, it may also be necessary to prepare VA Form 29-5892a or 29-8522, transaction type 082, to change the callup code on the master record to 503 and the callup date to the date of lapse plus 195 days. When the RPO shows a calculation of extended term insurance, the RPO will be stamped Ready for File, signed, dated and sent for filing in the insurance folder.

b. VA Form 29-389 will be prepared clerically when that form is applicable. If a terminal action will occur in \_\_\_\_\_ the comparative health period, a dictated letter will be required. A letter by the MTST (Magnetic Tape Selectric Typewriter) may be sent in lieu of a dictated letter when appropriate.

c. Where reinstatement requirements are being furnished by MTST, VA Form 29-389b, or dictated letter and a health statement or other medical evidence is required, the appropriate application for reinstatement as indicated below will be enclosed:

(1) VA Form 29-352, Application for Reinstatement (Medical). This form is used when insurance has been lapsed more than 6 months and the present insurance age of the policyholder is 51 or more or when the insurance has been lapsed more than one year regardless of age. VA Form 29-352a, Supplemental to Medical Application, will also be enclosed if a payment is required.

(2) VA Form 29-353, Application for Reinstatement (Non-Medical). This form is used when the insurance has been lapsed less than 6 months and comparative health requirements must be met.

(3) VA Form 29-353a, Application for Reinstatement (Non-Medical). This form is used when the insurance has been lapsed more than 6 months but less than a year, and the present insurance age of the policyholder is 50 or under.

d. When a life insurance policy with an H prefix or a rider with an HD prefix has been lapsed less than 6 months and a dictated letter is required, the policyholder will be reminded that he/she should take advantage of the comparative health period. He be advised that after 6 months, any condition of health that was waived when the insurance and/or rider was reinstated or issued under the H or HD prefix, may not again be waived. Where the policy has been lapsed 6 months or more and evidence of health is required for reinstatement, the medical consultant will determine whether the policyholder can meet good health requirements prior to release of a dictated lapse letter.

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an RH, JR or JS policy has been lapsed 6 months or more and evidence of health is required for reinstatement, the medical consultant will determine whether the policyholder can meet good health requirements before reinstatement requirements are furnished. If either of the conditions listed below exists, the policyholder will be advised that it is doubtful that h~~ can meet reinstatement requirements.

(1) The folder indicates a disability, illness, or injury occurring after the insurance was granted which would prevent the policyholder from meeting good health requirements, and/or

(2) The insurance has been lapsed for 12 months or more and the disabilities existing at the time the insurance was granted are such that would prevent the policyholder from meeting good health requirements.

j  
f. Here an indebtedness existed and final lapse action has been taken at the time reinstatement requirements are being furnished, information on reinstating or repaying the indebtedness will be furnished.

**3.08 PREPARATION OF VA FORM 29-389, NO-CE OF LAPSE**

a. VA Form 29-389 may be clerically prepared or computer-generated. When clerically prepared, the paragraphs required will be similar to those listed below which are computer-generated:

(1) THIS NOTICE APPLIES TO YOUR TOTAL DISABILITY INCOME PROVISION ONLY.

(2) YOU CAN REINSTATE YOUR PROTECTION NOW BY COMPLETING THE APPLICATION ON THE BACK OF THIS FORM AND RETURNING IT AT ONCE WITH A PAYMENT FOR THE TOTAL AMOUNT DUE.

(3) IF YOU SUBMIT YOUR APPLICATION AFTER (See note below), ADD TO THE TOTAL AMOUNT DUE 1 ADDITIONAL MONTHLY PREMIUM OF \$----- FOR EACH MONTH OF DELAY.

w

NOTE: The date to be inserted will be the premium due date following the month reinstatement requirements are quoted, minus 1 day.

(4) IF YOU DELAY REINSTATING MORE THAN 6 MONTHS FROM THE DATE OF LAPSE, INTEREST WILL BE CHARGED ON ALL PREMIUMS FROM THE ORIGINAL DUE DATE.

(5) IF YOU REINSTATE ON OR BEFORE (See note below), EVIDENCE THAT YOUR HEALTH IS AS GOOD ON THE DATE OF APPLICATION AS IT WAS AT THE END OF THE GRACE PERIOD IS ACCEPTABLE. OTHERWISE, A PHYSICAL EXAMINATION WILL BE REQUIRED.

*NOTE: The date to be inserted will be 7 months minus 1 day for the date of lapse.*

(6) YOU CAN REINSTATE YOUR PROTECTION NOW BY RETURNING THIS FORM AT ONCE WITH A PAYMENT FOR THE TOTAL AMOUNT DUE. YOU DO NOT HAVE TO COMPLETE THE APPLICATION.

(7) UNLESS YOU MEET REINSTATEMENT REQUIREMENTS ON OR BEFORE (See note below), YOU WILL HAVE LOST ALL RIGHTS TO REINSTATE THIS INSURANCE.

*NOTE: The date to be entered will be as follows: Endowment plans other than J, JR, and JS: The last day of the endowment period. J, JR and JS policies: The last day of the endowment period or 5 years minus 1 day from date of lapse, whichever is earlier. Term policies: The date of lapse, plus 5 years, minus 1 day.*

(8) IF YOU DESIRE CONTINUED INSURANCE PROTECTION BEYOND (5-see note below), THIS POLICY MUST BE REINSTATED AND CONVERTED TO A PERMANENT PLAN TYPE OF INSURANCE BEFORE THE EXPIRATION OF THIS TERM PERIOD. WE WILL BE GLAD TO ANSWER ANY QUESTIONS YOU MAY HAVE CONCERNING CONVERSION.

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*NOTE: The date to be entered will be the last day of the term period.*

(9) THE TOTAL AMOUNT DUE INCLUDES 1 MONTHLY PREMIUM FOR THE OLD TERM PERIOD AND 1 INCREASED MONTHLY PREMIUM FOR THE NEW TERM PERIOD.

b. The above (computer-generated) paragraphs are selected as indicated below:

(i) **TDIP** lapsed and how paid code on life is zero or 2-paragraphs (1), (2), (3), (4) and (5).

(2) Permanent plan with TDIP or permanent plan with less than 5 years extended term insurance-paragraphs (2), (3), (4), (5) and (7) on endowment plans and policies in the J series.

(3) Permanent plan without TDIP with 5 or more years of extended insurance as of the 7th due date of unpaid premium-paragraphs (3), (4), (6) and (7) on endowment plans and policies in the J series.

(4) Term policy lapsed for less than 5 years-paragraphs (5), (7) and (9).

(5) (Deleted.)

(6) W term policy lapsed in the final term period except when lapse occurs in the final 6 months-paragraphs (2), (5) and (8).

### 3.09 REMITTANCE RECEIVED AFTER NOTICE OF LAPSE RELEASED

a. When a timely premium payment is received after release of a lapse letter, the insured will be advised that the notice of lapse was in error. Whenever the system automatically posts a timely payment or pending transaction to pay a premium previously shown as the month of lapse, it will release VA Form 29-5885, Information About Your Insurance, with the following message:

WE RECENTLY TOLD YOU THAT YOUR INSURANCE LAPSED.  
PLEASE DISREGARD THE NOTICE OF LAPSE. YOUR ACCOUNT IS  
NOW PAID AS SHOWN ON THIS STATEMENT. TIMELY  
PAYMENTS SENT LATER THAN THE PAYMENT DATE SHOWN  
WILL BE APPLIED TO PAY FUTURE PREMIUMS.

If regular file maintenance action is required to post the timely payment(s), VA Form 29-476, Notice of Premium Account Status, with a similar message will be prepared and released to the insured.

b. When a premium payment is not timely, it will be made pending and the callup date of the pending posting will be advanced to the same callup as the 5XX callup date. An RPO, reason code 209, will be generated. Clerical action is required to acknowledge receipt of the payment and furnish the additional reinstatement requirements.

c. When a remittance is tendered more than 6 months after the date of lapse, reinstatement requirements will be furnished.

### 3.10 FINAL LAPSE ACTION-TERM INSURANCE

a. The system will take final lapse action on a term policy on policy callup 503 if all conditions are met. These actions involve:

(1) How **Paid Code**. The how paid code is changed to 1 to indicate the insurance is not in force.

- (2) Action **Type and Date**. The action type is changed to 5 for record purge, and the action date to the policy anniversary date following date of lapse plus 1 month, or 1 month after the date final lapse action is taken, whichever is later, on participating policies and to the date of the 503 callup on nonparticipating policies.

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(3) **Credits. Refund** credits of \$1 or more, shown in the overage field. Dividend credits are refunded if the balance is \$1 or more. If the balance is less than \$1, the amount is transferred to the overage field.

(4) **Dividends on Participating Policy**. Authorize any dividend due as a 626 pending transaction, inserting the number of months for which a dividend is not due in the master record.

b. If it is necessary to take final lapse action clerically in lieu of system processing, the following input documents are required.

(1) **How Paid Code.** Use VA Form 29-5893a or 29-8523, transaction type 083, to change the how paid code to I. These forms are also used to delete existing overages or shortages.

(2) **Action Type and Date.** VA Form 29-5892a, 29-8522, or 29-8530, transaction type 072, will be prepared to change the action type and date. The input will be sorted for a second-day release. The action type will be changed to 5 for record purge, and the action date to the policy anniversary date following the date of lapse plus 1 month, or 1 month after the date final lapse action is taken, whichever is later, on participating policies and to the date of the 503 callup on nonparticipating policies.

(3) **Dividends on Participating Policies.** Prepare input to insert transaction type 626 for any dividend due.

c. Premium overages will be included in any refund due the insured and premium shortages are deductible from any refund due. If the amount to be refunded is \$1 or more, prepare VA Form 29-5895a or VA Form 29-8526, Pending Transaction, transaction type 008, to insert the amount to be refunded as a 609/609 refund. If there is no refund due and the shortage is \$5 or more, a lien will be established as provided in chapter II. Use VA Form 29-5893a or 29-8523 to delete the overage or shortage from the master record.

d. If a dividend credit exists, prepare VA Form 29-5894a or 29-8525, transaction type 084, to delete the balance. If there are other policies in force, prepare a second input to transfer the dividend credit to the other policy, making any adjustment in dividend interest that may be required because of different anniversary dates. If the insured has no other active policies, the credit will be refunded if it is \$1 or more, or if combined with any other overage, exceeds \$1.

e. If a lien on a lapsed account has not been liquidated after all dividends have been authorized, it will be transferred to the Finance [activity] provided there are no other active policies. Transfer of liens are accomplished by the system at 3-month intervals.

### 3.11 ELIGIBILITY PERIOD TO REINSTATE LAPSED TERM POLICIES

A lapsed term policy may be reinstated within 5 years from the date of lapse.

### 31.2 REQUEST FOR DISCONTINUANCE OF TERM INSURANCE

When an insured indicates he or she does not want to continue the term insurance,  the following action will  be taken:

a. If there are no credits of any type on any of the insurer's policies, prepare VA Form 29-5892a or 29-8530, transaction type 082, to change the callup code to 503. The callup date will be 195 days after the next month due.

b.  [On direct pay accounts, if there is a refundable dividend credit, prepare the necessary forms to take lapse action clerically. Also,] prepare VA Form 4-706, Notice of Refund and Refund Worksheet, to refund the credit if the insured ~ requested refund or if it is a single [policy] case. If the insured did not request refund of dividend credit and there are other ~ policies on a premium-paying basis, transfer the credit to an active account. Any refund **due** will be based on the day the refund is processed.

CHAPTER 3. LAPSE

- A. Change: M29-1, Part II, Chapter 3. This advance manual change is issued as a result of an administrative decision to discontinue soliciting the cash surrender of paid-up additions on discontinued term insurance.
- 3. Procedure: Delete the last sentence in subparagraph 3.I2d page 3-9 which reads: "In addition, the disposition of the paid-up addition will be requested."
- C. New or Revised:  
Insurance Forms: None

P L F. KOONS  
Assistant Director for Insurance

DISTRIBUTION:

335/29	92
310/290	51
310/291	111
310/Library	1
C0/311D	1

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Change 16**

c. On deduction type accounts, take immediate action to have the deduction decreased or discontinued, refund all credits and authorize any unpaid dividends. Change the how paid code to 1, the action type to 5 and insert the appropriate diary in the master record.

d. If there are paid-up additions on the terminated account, the master record will not be purged. Input will be prepared to change the how paid code to 1 and the action type to 5.

**3.13 EXTENDED TERM INSURANCE**

a. A policy in the J series has extended term insurance value after it has been on a premium-paying basis for 1 year. MI other permanent plans have extended term insurance values after being on a premium-paying basis for 3 months or longer.

b. The net reserve (the reserve plus dividends on deposit minus certain indebtednesses) is used to purchase extended term insurance for the face amount of the policy, less indebtedness, from the due date of the first premium in default. In addition, there is an administrative charge against the reserve on policies in the J series. The charge is \$2 per \$ 1 ,000 insurance on all plans except plan 9. On plan 9, the charge is \$2 per \$500 insurance.

c. The reserve may not be used to purchase extended term insurance beyond the mortality table on which premiums were based or beyond the endowment period of an endowment plan. The pure endowment on an endowment plan may not exceed the face amount of the policy, less indebtedness. **if** there is excessive reserve, the amount not required will be retained as a dividend deposit balance and the insured advised that it is refundable upon request. In addition, the how paid code on the insurance master record will be changed to paid-up 2.

d. interest on loan and interest bearing liens deductible from policy reserves is due up to the date of lapse. Payments ~ tendered after lapse are not acceptable as payment of loan, interest or lien, or lien interest if the reserve is sufficient to pay ~ the indebtedness.

e. When calculations are necessary to compute extended term insurance, leap years will be considered as regular years.

### 3.14 FINAL LAPSE ACTION-PERMANENT PLANS

a. When it is determined that final lapse action must be taken clerically, examine the RPO and insurance folder to determine if indebtedness exists which is deductible from policy reserve and if computation of extended term insurance was made in connection with release of lapse notice. If not, obtain the computation.

b. Prepare VA Form 29-389c-1, Notice of Extended Term Insurance, and the necessary input documents to update the master record and take accounting action. A VA Form 29-5897a, Accounting Control Input Card, or 29-8527, Accounting Control, transaction type 0~9, may be required to accomplish the balance of accounting actions.

c. There should be a policy freeze which should be lifted when all actions have been completed. The following segments may be involved:

#### (l) Policy Segment

(a) Prepare VA Form 29-5892a or 29-8522, transaction type 022, to insert the amount of extended term insurance and dividend months not paid.

(b) When no pure endowment is payable, prepare VA Form 29-5892a or 29-8530, Life Miscellaneous, transaction type 072 (2d-day release), to insert the action type, action date and the date of expiration of term insurance. The action type should be 5 on nonparticipating policies and 9 on participating policies.

(c) When pure endowment on a participating policy is involved, prepare VA Form 29-394, Dividend Transaction input Card, transaction type 626, to establish a pending transaction for payment of dividends on pure endowment. The insurance

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**amount shown in the pending transaction should be** the amount of pure endowment payable **at the** end of the endowment period. The **dividend year should be the same** as the dividend year for payment of dividends on the extended term insurance. **The year of expiration of the extended term insurance** will be entered in lieu of the insurance effective day. The action type **should be 26 if notice of maturing endowment has not** been released and the action date should be 2 months before maturity **date. After release of notice of maturing endowment**, the action type should be 6 and the action date should be the **date the pure endowment becomes payable, the day** following the last

day in the endowment period. If it is necessary to change the action type, prepare VA Form 29-5892a or 29-8530, transaction type 072 (2d-day release).

(2) **Premium Segment.** Prepare VA Form 29-5893a, or 29-8523, transaction type 053, to change the how paid code, delete an overage of \$1 or more, and Insert the date of lapse. When pure endowment is payable, this form is also used to insert the amount of pure endowment.

(3) **Loan Segment.** if a loan payment tendered after lapse is being reversed or interest is being added or reversed, prepare VA Form 29-5894a or 29-8525, transaction type 085, to accomplish the transaction and delete the loan from the master record.

(4) **Lien Segment**

(a) **When a premium or overpayment lien exists** which can be deducted from the reserve, prepare VA Form 29-5894a or 29-8525, transaction type 086, to add interest to the date of lapse and update the interest year. The same transaction type is used if interest is to be reversed.

(b) **When there is an off-tape lien** which can be deducted from the reserve, prepare VA Form 29-1610, Transfer Worksheet, to process the off-tape lien accounting. Send VA Form 29-1610 to the Finance (activity).

(c) **Recovery of accelerated dividend overpayment** indebtedness will not be made from the reserve available to purchase ~ extended insurance. A lien will be established for the amount of the overpayment. To obtain the amount of overpayment, ~ determine the dividend due for the number of months in the dividend year the policy was on a premium-paying basis and number of months the policy was on extended term insurance. Subtract the total of these two amounts from the dividend paid. To insert a lien on the master record, prepare VA Form 29-5894a or 29-8525, transaction type 006. The policyholder will be informed of the reason for the lien, and regular collection procedures will be followed.

(5) **Dividend Segment.** Prepare VA Form 29-5894a or 29-8525, transaction type 084, to delete a dividend deposit account or a dividend credit balance.

(6) **Pending Transaction**

[ j **When there are pending transactions to be refunded,** prepare VA Form 29-5895a or 29-8526, transaction type 088, to cause disbursement for each amount to be refunded.

**3.15 PREPARATION OF VA FORM 29-389c, NO-CE OF Extended TERM INSURANCE**

a. VA Form 29 -3 89c **will be clerically** prepared or computer-generated. Information listed below will be printed in the spaces provided:

- (1) File number.
- (2) Policy number.
- (3) Date of lapse (month, day and year).
- (4) Amount of extended term insurance.
- (5) Date extended insurance expires (month, day and year).
- (6) Reserve on date of lapse.
- (7) Dividends on deposit.
- (8) Indebtedness.
- (9) Cash value.

b. The paragraphs in the form **will** be selected from those printed below:

- (1) IT WILL NOT BE NECESSARY TO SUBMIT EVIDENCE OF GOOD Health.

Use the above paragraph under one of the following conditions:

- (a) Insurance protection ceases on the last day of the endowment period, or
- (b) The date of lapse plus 5 years minus 1 day on a policy in the J series is earlier than the expiration date of extended term insurance minus 5 years.

(2) YOUR NET CASH VALUE ON THE DATE OF LAPSE WAS GREATER THAN THE AMOUNT REQUIRED TO PURCHASE EXTENDED INSURANCE TO THE END OF THE ENDOWMENT PERIOD. THE BALANCE WAS USED TO PURCHASE \$ \_\_\_\_\_ OF PURE ENDOWMENT INSURANCE, WHICH WILL BE PAYABLE TO YOU THE DAY AFTER EXTENDED INSURANCE PROTECTION ENDS.

Use the-above paragraph on endowment plans with pure endowment.

- (3) IT WILL ALSO BE NECESSARY FOR YOU TO SUBMIT EVIDENCE OF GOOD HEALTH.

Use the above paragraph on all plans with 5 or less years of extended term insurance as of the callup date for final lapse action except where insurance is extended to the end of the endowment period.

(4) IT WILL NOT BE NECESSARY FOR YOU TO SUBMIT EVIDENCE OF GOOD HEALTH IF YOU REINSTATE ON OR BEFORE (See note below). AFTER THAT DATE EVIDENCE OF GOOD HEALTH WILL BE REQUIRED.

Use the above paragraph where there are more than 5 years of extended term insurance, and

- (a) Endowment plans. Protection ceases prior to the last day of the endowment period

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**January 15, 1971**

- (b) Policies in the J series. The expiration date of extended term insurance minus 5 years is earlier than the date of lapse plus 5 years minus 1 day.

*NOTE: The date to be entered in the space will be the expiration date of extended term insurance minus 5 years.*

(5) PROTECTION UNDER THE TOTAL DISABILITY INCOME PROVISION ATTACHED TO YOUR POLICY CEASED 31 DAYS AFTER DATE OF LAPSE. TO REINSTATE IT EVIDENCE OF GOOD HEALTH AND PREMIUMS IN ARREARS PLUS INTEREST ARE REQUIRED.

Use the above paragraph where TDIP lapsed at the same time the insurance lapsed.

(6) THE AMOUNT OF EXTENDED TERM INSURANCE WILL BE REDUCED BY ONE-HALF AT THE END OF THE DAY PRECEDING YOUR 65TH BIRTHDAY.

Use the above paragraph when extended term insurance on a modified life will terminate on or after the insured's 65th birthday.

- (7) THIS POLICY CANNOT BE REINSTATED AFTER (See note below).

Use this paragraph if the policy is one in the J series.

*NOTE: The date to be entered in the space is the date of lapse plus 5 years minus 1 day or the last day of endowment period, whichever is earlier.*

- c. When entries are made in the Plus Dividend and/or Less Indebtedness columns, an appropriate explanation with a breakdown of the amounts involved will be shown.

- d. When the form is completed and released, a copy will be stamped Ready for File, signed, dated and sent for filing in the folder.

CHAPTER 3 - LAPSE

- A. Change: M29-1, Part II, Chapter 3. This Advance Manual Change is issued in conjunction with Advance Manual Change 5-83 in M29-1, Part I, and provides detailed instructions for proportioning loan amounts when placing on extended insurance a policy with paid-up additions and multiple loan segments.
- B. Procedure:
1. Page 3-i, add the following as the last entry in the table of contents:
 

3.16	Proportioning Loan Amounts When Placing On Extended Insurance	3-13.
------	--	-------
  2. Page 3-9, delete subparagraph 3-13e in its entirety and insert the following:
    - e. If a policy with paid-up additions and outstanding indebtedness is placed on extended insurance, the total loan indebtedness at the date of lapse must be divided proportionally between the paid-up additions and the basic policy, so
 

**a** that the portion associated with the basic policy can be deducted from the basic policy reserve. (See paragraph 3.16, "Proportioning Loan Amounts When Placing on Extended Insurance.")
    - f. When calculations are necessary to compute extended term insurance, leap years will be considered as regular years.
  3. Insert the attached pages, numbered 3-13, 3-114 and 3-15, at the end of Chapter 3.

C. New or Revised  
Insurance Forms: None

BERT W. CAREY  
 Assistant Director for Insurance

DISTRIBUTION:

335/29	80
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**a 3' 16 PROPORTIONING LOAN AMOUNTS WHEN PLACING ON EXTENDED INSURANCE**

a. **Outstanding loan indebtedness, including accumulated interest to the date of lapse, must be deducted from the policy reserve before the policy can be placed on extended insurance. If the policy has paid-up additions, however, a portion of the total indebtedness should be left against the paid-up additions. The amount of indebtedness to be recovered from the basic policy reserve bears the same ratio to the total indebtedness as does the basic policy reserve to the total reserve value of the basic policy and the paid-up additions combined. If the policy has more than one outstanding loan, the loan(s) bearing the highest interest rate(s) should be liquidated such that the indebtedness remaining on the paid-up additions bears the lowest interest rate(s).**

b. **Example: To calculate extended insurance on a policy with paid-up additions and more than one outstanding loan.**

**Facts:**

Ordinary Life Policy (V Prefix)	Age at issue: 40
Effective Date	February 28, 1943
Date of Lapse (N.M.D.)	September 28, 1982
Amount of Policy	\$7,000
Paid-up Additions	\$1,933
Loan Anniversary Date	November 14, 1981
4 Percent Loan (11-14-81)	\$2,055.76
5 Percent Loan (11-14-81)	\$2,746.67
Accumulated Interest on 5% Loan	\$6.45

**Computation of Proportioned Loan Amounts:**

(1) Number of days between date of lapse and loan anniversary date	day number day number	636 31 days
(2) Total indebtedness at date of lapse		
4 percent	1.03485 x \$2,055.76 :	\$2,127.40
5 percent	1.04356 x \$2,746.67 + \$6.45 :	<u>\$2,872.76</u>
		<u>\$5,000.16</u>

(3)	Duration of policy at date of lapse date effective date	1982, 9 mos. <u>1943, 2 mos.</u> 39 yrs. 7 mos.
(4)	Reserve on basic Ordinary Life (OL) on date of lapse (M29-2, Part 111A) \$751.18 x 7 :	\$5,258.26
(5)	Attained age of insured at date of lapse Age at issue + duration of policy (Step 3) 40 yrs. + 39 yrs. 7 mos.	79 yrs. 7 mos.

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•1

(6)	Reserve on paid-up additions (PUA) on date of lapse (\$1,933 x .79330, from ?129-2, Part II, Table XVI - A)	\$1,533.45
(7)	Total reserve on date of lapse \$5,258.26 (Step 4) + \$1,533.45 (Step 6)	\$6,791.71
(8)	Proportioned basic policy indebtedness: <u>OL reserve (Step 4)</u> Total reserve (Step 7) x Total indebtedness (Step 2) (\$5,258.26/\$6,791.71) x \$5,000.16	\$3,871.21
<b>\$3,871.21 from the basic policy reserve must be applied to reduce the loan indebtedness.</b>		
(9)	Liquidating loan with highest interest rate: Ordinary Life indebtedness (Step 8) 5 percent loan with accumulated interest (from Step 2) Remainder to be applied to the 4 percent indebtedness	- 2 872.76
To obtain the amount of interest paid on the 5 percent loan, subtract the 5 percent indebtedness on the last anniversary date from the 5 percent indebtedness at date of lapse (\$2,872.76 - \$2,746.67 : \$126.09).		
(10)	Proportioning remaining indebtedness: Original 4 percent loan at last anniversary date 4 percent loan repayment (Step 9) Indebtedness on PUA (4 percent)	\$2,055.76 <u>\$ 998.45</u> \$1,057.31

If the remaining proportioned basic policy indebtedness is greater than the 4 percent loan principle, the difference should be applied to the 4 percent interest.

(11) Accumulated interest on portion of 4 percent loan paid from OL:

Portion of 4 percent loan paid from OL (Step 9) times	\$	998.45
4 percent interest factor	x	<u>.03485</u>
Accumulated interest on 4 percent loan repayment	\$	34.80

**Computation of Extended Insurance:**

(12) Net cash value:		
Reserve on basic policy (Step 4) minus		\$5,258.26
Proportioned Ordinary Life indebtedness (Step 8)		<u>-\$3,871.21</u>
		\$1,387.05
(13) Amount of extended insurance:		
Face value of Ordinary Life minus	\$7,000.00	
Proportioned Ordinary Life indebtedness (Step 8)	<u>-\$3,871.21</u>	
	\$3,128.79	: \$3,129

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(14) Net reserve per \$1,000 to purchase extended insurance:		
\$1,387.05 (Step 12)/3.12879 (from Step 13)		\$ ~!13.32
(15) Net single premium for 3 yrs. extended insurance		\$ 370.88
Daily difference between 3 yrs. and ~ yrs. (cost per day)		.2722
(? (29-2, Part II, Table X1)		
(16) Number of day extension beyond 9-27-85 (\$443.32 - \$370.88)/.2722		266
(17) September 27, 1985	day number	<u>+270</u>
(18) Last date of extended insurance coverage June 20, 1986	day number	536



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h. When an application or remittance is accepted for reinstatement, it will be reviewed for acceptability for processing within the system. If any of the following conditions exist, the reinstatement must be processed clerically:

- (1) The policy has other indebtedness which was deducted from the reserve at time of lapse.
- (2) There was a combination of dividend deposits and a loan, and the account had been placed on extended insurance.
- (3) A lien was deducted from the reserve value at time of lapse.
- (4) A premium shortage existed at the time of lapse and the account had been placed on extended insurance.
- (5) The reinstatement is for a reduced amount.

- (6) The month of reinstatement is on or after an action date; i.e., date premium payment ceases on TDIP or limited pay life, or the date of renewal of a term policy.
- (7) The reinstatement is for the life portion only and a TDIP segment is on tape.
- (8) The reinstatement is for TDIP only.
- (9) Reinstatement of an account on extended insurance, and TDIP.
- (10) Reinstatement of 5LPT and TDIP; date of lapse on TDIP and life were different or TDIP segment is not on tape.
- (11) Part of the reinstatement cost is paid by a new loan or by a dividend adjustment for prior years.
- (12) (Deleted by change 6.)
- (13) Insufficient money to reinstate both the basic insurance and the TDIP or to reinstate and pay premiums on both to the same next month due.

1. The following additional actions will be taken when the reinstatement application is approved:

- (1) The application will be noted Approved. The name of the clerk and the date will also be entered.
- (2) The reinstatement information; e.g., month of lapse and month of reinstatement, will be shown.
- (3) The application for reinstatement and/or the supplemental forms will be stamped Ready for File and sent

for filing in the folder. Any forms and/or form letters will be released as indicated.

**4.03 CLERICAL PREPARATION FOR COMPUTER PROCESSING**

a. VA Form 29-5899a, Reinstatement Input Card-ADP, or VA Form 29-8529, RPO(Reinstatement/Status, will be prepared for each policy being reinstated provided the case can be processed by the system.

b. If more than one policy is on tape, the remittance(s) available for reinstatement will be examined. Each remittance must contain the number of the policy being reinstated. Single remittances which apply to two or more policies must be deleted with VA Form 29-5895a, Pending Transaction Input Card-ADP, or VA Form 29-8526, Pending Transaction, transaction type 098, and reinserted as separate pending transactions for each policy number involved. When reinserting these items, transaction type 008 will be used. ALL input documents for these transactions must be inserted in the same processing day number.

c. The system will not authorize prior year dividends when a permanent plan is reinstated. It will authorize prior year dividends on 5LPT contracts only under the following conditions:

- (1) If the reinstatement is effective in the current calendar year, the system will pay the dividend for the month of lapse in the prior year; or

(2) If the reinstatement is effective in a prior calendar year, the system will not authorize any dividend unless the month of lapse and the month of reinstatement are in the same dividend year and the reinstatement is effective in the 12th month of the dividend year. Any other prior year dividend must be authorized clerically.

d. Dividends will not be authorized manually until an RPO with reason code RI4 is received.

#### 4.04 SYSTEM PROCESSING OF REINSTATEMENTS

a. When VA Form 29-5899a with an R in column 31, or VA Form 29-8529 is used as input, the system creates a tape image for the policy involved and establishes a reinstatement diary. The diary contains the information shown on the input and is used by the system in processing the reinstatement. When the system processes the reinstatement, the diary is automatically deleted. If the system is unable to process the reinstatement, an RPO reason code [Rxx], is generated and the diary automatically deleted. When the RPO is received, action will be taken to clerically process the reinstatement or, if possible, new input will be submitted to have the system automatically process the reinstatement.

b. If the system cannot process the reinstatement, or the reinstatement is processed but additional clerical action is necessary, an RPO with a reason code in the RXX series is printed. These RPO reason codes are defined in MP-6, part II, supplement No. 1.4.

c. When a reinstatement is processed by the system, input is generated to:

(1) Update the policy, premium and optional segments and insert or delete pending transactions.

(2) Take control accounting action required to post the cost of reinstatement.

(3) Reestablish any dividend deposit or loan balance as of the date of lapse.

(4) Reverse reserve accounting.

(5) Create pending dividend transaction(s) (pending transaction type 626) for dividend(s) being paid by the system. The pending dividend will have an immediate callup date.

d. The system will prepare input to update the master record and generate a VA Form 29-5885, Information About Your Insurance, with appropriate paragraph(s) to advise the insured of the reinstatement and the benefits of changing his or her option to credit, if this has not been accomplished.

e. If an RPO is received with reason code 969 indicating that the system has processed the reinstatement but has not released status, a VA Form 29-5899, Request For Record Print Out, or VA Form 29-8529, coded 9, will be prepared. This input will cause the system to generate a VA Form 29-5885 for release to the insured.

f. If the system cannot release status automatically, VA Form 29-4486, Notice of Reinstatement, and if applicable, VA Form 29-336, Designation of Beneficiary and Optional Settlement, and/or VA Form 29-5948, Important Reminder About Dividend Credit Option, will be prepared and mailed to the policyholder.

g. When a 5LPT policy has lapsed in one term period and is reinstated in the next term period, a VA Form 29-5899a or a VA Form 29-8529 will be prepared as input and the system will take the following action:

January 15, 1971

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## CHAPTER 4. REINSTATEMENTS NONMEDICAL)

### 4.01 GENERAL

a. Remittance bearing comparative health reinstatement applications will be noted with the deposit unit number, postmark date and amount of remittance by the Collections Unit and sent to the Key Unit daily for the preparation of input documents to cause the system to generate VA Form 29-5886 Insurance Record Print Out (RPO), and to freeze the master record. The RPO's with applications attached will be sent to the Policy Service units for processing.

b. Nonremittance bearing comparative health reinstatement applications will be coded by the Administrative Division for key punching input documents to cause the system to generate an RPO. The record will not be frozen. Applications with RPO's attached will be received in the Policy Service units for processing.

c. Reinstatement applications which contain information indicating that the applicant might not be in the required state of health will be sent to the Underwriting Section for medical determination and processing.

d. Reinstatement applications that are signed by incompetent insureds will be sent to the Underwriting Section for development of the necessary medical evidence and processing.

e. The system will automatically reinstate an account under VA Regulation 3078(A) or VA Regulation 3422(A) when a remittance is received for a lapsed permanent plan policy, under the following conditions:

- (1) Single remittance to pay the cost of reinstatement.
- (2) The postmark date of the remittance is within 6 months of date of lapse.
- (3) Single policy to be reinstated.
- (4) No total disability income provision.

*NOTE: Where the mode is other than monthly, the payment cycle will not be disrupted when the remittance is submitted in the amount of the mode of record. The payment will be applied for the same period as the mode of record even if the shortage is in excess of 10 percent of a monthly premium; i.e., 12 months with a shortage of more than 10 percent of a monthly premium, instead of 11 months with an overage. (See examples below.) Where reinstatement is automatically processed by the system, an RPO is generated with reason code REI These RPO's are filed in the folder as a permanent record.*

**EXAMPLE I:**

Date of lapse-9-1-69

Mode-Annual

Date of reinstatement-11-7-69 .7-69

Annual payment submitted

Calculation-2 monthly premiums with the balance applied at a PV rate for 10 months which resulted in a shortage of less than 10 percent of a monthly premium. This payment to be applied to cover the number of months intended.

**EXAMPLE II:**

Date of lapse-9-1 -69  
Date of reinstatement-1-7-70

Mode-Annual  
Annual payment submitted

Calculation -4 monthly premiums with the balance applied at a PV rate for 8 months which would result in a shortage of more than 10 percent of a monthly premium. Heretofore, this payment would have been applied to pay only 11 months instead of 12 as intended. In this example, the payment is posted to pay 12 months even though the shortage exceeds 10 percent of a monthly premium.

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#### 4.02 CLERICAL PROCESSING

a. Immediately upon receipt of a nonremittance bearing application, the postmark date (PMD) will be entered in the lower margin of the application. The envelope used to transmit the application will be detached and disposed of after approval of the application.

b. Remittance bearing applications accompanied by an RPO will be examined. If requirements for automatic processing are **met**, the necessary input document(s) will be prepared.

c. Applications for reinstatement of permanent plan insurance will be processed in the same manner as term insurance except that all premiums must be paid (no skip months).

d. Where requirements for automatic processing are not met, the application will be further examined. If supplemental information is needed, VA Form 29-389, Notice of Lapse, will be used to obtain the supplemental information if sufficient time remains in the comparative health period. The callup code will be established as a 503 and the callup date 195 days after the due date of the premium in default. When the supplemental information is requested within 31 days of the end of the comparative health period and 31 days are being allowed the insured to comply with the requirements, a VA Form Letter 29-615 will be used. The 503 callup date will be 31 days from the date of the letter.

e. When processing reinstatements clerically, the present ADP method of applying advance premiums will govern, since it is clearly to the insured's advantage to do so. Apply monthly premiums to the month of reinstatement and whenever there are sufficient funds available to pay premiums for 3 or more months after reinstatement, the month in which reinstatement is effected, will be included in the PV rate. If the system takes partial action; e.g., system reinstates the account and inserts the balance pending under unit 0998, the balance should be applied at the PV rate including the month of reinstatement.

f. When a premium in the amount of the mode of record (other than monthly) is submitted within the : comparative health period for reinstatement (6 months), the payment will be applied for the same period as the mode of record even if the shortage is in excess of 10 percent of a monthly premium.

g. If supplemental requirements are not met, or the application is disapproved for any other reason, the following actions will be taken:

(1) The application will be noted Disapproved, the reason for disapproval, and the date and last name of the clerk taking the action. The disapproved application will be stamped Ready for File, signed, dated and sent for filing in the insurance folder.

- (2) The applicant will be notified of the action taken and furnished new requirements.
- (3) The diary, if any, will be deleted.
- (4) If in order, any credits will be refunded.
- (5) If final lapse action is to be taken by the system, input to insert a 503 policy callup code will be prepared.
- (6) If final lapse action is to be taken clerically, the procedure in chapter 3 will be followed.
- (7) Envelopes attached to disapproved applications may be disposed of if untimely mailing is not the reason for disapproval.
- (8) When it has been determined that an application for reinstatement is not necessary because reinstatement has already been effected, or late money has been applied under VA Regulation 3407.2 or some other adjustment authority, the Policy Service Clerk will dispose of the reinstatement application.

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- (1) Generate VA Form 269-5885 to notify the policyholder of the renewal action.
  - (2) Release renewal notices.
  - (3) Issue premium notices.
  - (4) Authorize the dividend.
- h. If the reinstatement is submitted after the master record has been purged, clerical action will be taken to reinsert the master record and process the reinstatement.

#### **4.05 REINSTATEMENT MANUALLY PROCESSED**

a. When clerically reinstating a lapsed 5LPT or permanent plan contract which has not been placed on extended insurance, the following forms will be used:

- (1) VA Form 29-5893a, Premium **Input**, or VA Form 29-8523, Premium/TDIP, transaction type 083, to update the premium segment, adjust the accounting controls and lift the policy freeze, if any.
  - (a) If a V or K policy is being reinstated and skip months are involved, enter the number of months not due. The skip month entry is unnecessary when reinstating a nonparticipating term policy.
  - (b) If 2 dividend years are involved, the prior year dividend can be paid by the system. Enter Months Not Due for the prior year only.
  - (c) If two term periods are involved and the dividend for the prior year has not been paid, enter Months Not .Due for the current dividend year, and authorize the prior year's dividend manually.
  - (d) Record any shortage or overage which may have existed at time of lapse, unless the shortage is paid or the overage is used at the time of reinstatement.

(e) If the credit available on a permanent plan is not enough to pay all the premiums due, plus interest, and the shortage is more than the 5 cents interest shortage which may be waived, but is not more than 10 percent of a monthly premium, pay the interest in full and leave the shortage in the premium control account.

(2) VA Form 29-5892a, Policy Input, or VA Form 29-8522, Policy, transaction type 082, to effect renewal

when it is necessary to post beyond the renewal date; to amend dividend information; and/or reinstate a reduced amount of insurance. Care should be taken to avoid an overpayment when inserting the dividend year and authorizing any prior year dividend as the system does not update the dividend year at the time of final lapse

action, even though it does establish a pending dividend transaction.

(3) VA Form 29-5895a or VA Form 29-8526

(a) Transaction type 008 to insert a nonfreeze diary with a 15-day callup showing Missing Months NOT DUE

Year DIV when the following conditions exist:

1. Reinstatement involves 2 dividend years.
2. First-year dividend is not paid.
3. Missing months for second year dividend must be entered after the first year dividend is paid.

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(b) Transaction type 098 to delete pending transaction(s). These could include a pending dividend transaction type 626, established at time of lapse, as well as reinstatement money.

*NOTE: Whenever possible, delete only the remittance(s) needed in the reinstatement action, and permit the automatic posting routine to process any subsequent remittances.*

(4) VA Form 29-5894a, Optional Segment Input, or VA Form 29-8525, Dividend/Loan/Lien, transaction type 004, to insert a dividend credit or deposit segment for dividends authorized or established at the time of reinstatement. Use transaction type 084 if the segment is already in the master record.

(5) VA Form 29-5894b, **TDIP** Input, or VA Form 29-8531, TDIP, with transaction type 007 to insert the TDIP if not on tape. Use transaction type 087 if **TDIP** is on tape.

(6) VA Form 29.394, Dividend Transaction Input, or VA Form 29-8528, Paid Dividend/Dividend History, when dividends are authorized.

(7) VA Form 29-5934, Change of Address for Insurance Purposes, to change the address if necessary.

(8) VA Form 29-5899 or VA Form 29-8529, coded 9 for release of account status. This will cause the system to generate a VA Form 29-5885 with the message, Your insurance has been reinstated. Premiums are paid as shown above.

*NOTE.- VA Form 29-[483j, Certificate of Renewal, if it is necessary to post beyond renewal date and renewal is effected clerically.*

b. The following forms, if required, will be prepared when clerically reinstating a lapsed permanent plan contract which has been placed on extended insurance:

(1) VA Form 29-5893a or VA Form 29-88523, transaction type 043, to update the premium segment, adjust control accounting and to lift any policy freeze.

(a) Record any shortage or overage which may have existed at time of lapse, unless the shortage is paid or the overage is used at time of reinstatement.

(b) If the credit available for reinstatement is not enough to pay all premiums due plus interest and the shortage is more than the 5 cents interest shortage which may be waived, but is not more than 10 percent of a monthly premium, pay interest in full and leave the shortage in the premium control account.

(2) VA Form 29-5892a or VA Form 29-8522, transaction type 022, if the full amount of insurance is reinstated; or 032 if a reduced amount of insurance is reinstated. Change the dividend Months Not Paid to 00; insert the correct dividend rate; adjust the prior dividends paid; and enter the date of reinstatement.

(3) VA Form 29-5894a or VA Form 29-885285, transaction type 005 and/or 006, to reestablish a loan or lien which may have existed at time of lapse, and which is not paid at the time of reinstatement. The loan effective date will be obtained from the VA Form 29-1468b, Notice of Approval of Policy Loan, in the folder. The effective date of the lien will be obtained from the lien letter.

(4) VA Form 29-85894a or VA Form 29-8525, transaction type 004, to reestablish any dividend deposit, and add interest; or to establish a dividend credit or deposit account, when necessary, for dividends authorized at time of reinstatement. If a dividend segment already exists on tape, use transaction type 084.

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*A* (5) VA Form 29-5894b or VA Form 29-8531, transaction type 007 to reinsert, or transaction type 047 to reinstate the TDIP segment. VA Form 29-8523, transaction type 047, may also be used to reinstate the TDIP segment.

(6) VA Form 29-5895a or VA Form 29-8523 or VA Form 29-8531, transaction type 098, to delete pending transactions including pending dividend transactions established at the time of lapse.

*NOTE: When ever possible, delete only the remittance(s) needed in the reinstatement action, and permit the automatic posting routine to process any subsequent remittances.*

(7) VA Form 29-5897a, Accounting Control Input Card, or VA Form 29-8527, Accounting Control, transaction type 089, to reverse the accounting actions accomplished at the time the policy was placed on extended insurance.

(8) VA Form 29-394 or VA Form 29-8525, to authorize any dividends due as a result of the reinstatement of the policy.

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\_\_\_\_ September 13, 1976

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4.06 **REINSTATEMENT OF TOTAL DISABILITY INCOME PROVISION**

When it is determined that a nonmedical application for reinstatement of TDIP is acceptable, the application will be processed in the same manner as outlined above.

#### **4.07 INFORMAL APPLICATIONS FOR REINSTATEMENT**

a. A remittance, series of remittances and/or credits which meet monetary requirements for reinstatement will be accepted as an informal application for reinstatement provided the required amount becomes available during the comparative health period and is not applicable as premiums.

b. When an RPO, reason code 209, is received and the above conditions are met, a FL 269-615 will be released to the insured. A period of 31 days will be allowed to complete the supplemental requirements. If an acceptable statement is received, reinstatement will be accomplished as of the date monetary requirements were met. The VA FL 29-615 will be used whether or not a lapse letter has been previously released.

c. If, after the FL 29-615 has been released, one or more remittances are received, a dictated or MTST letter will be sent informing the insured any remittances received must be held pending until the reinstatement has been completed. Reinstatement by use of the FL 29-615 is not, in itself, a bar to subsequent use of the letters.

d. A formal reinstatement (VA Form 29-352, Application for Reinstatement (Medical); VA Form 29-353, Application for Reinstatement (Nonmedical [Comparative Health Statement]); VA Form 29-353a, Application for Reinstatement (Nonmedical-Insurance Age 50 and Under); and VA Form 29-389, Notice of Lapse-No Physical Examination Required) takes precedence over FL 29-615 if both are available at the same time. There will be no delay in processing either in anticipation of the other, nor will reinstatement action, formal or informal, be reversed in favor of the other.

e. FL 29-615 will not be used when it is obvious that its completion will reinstate the policy into lapsed status.

f. [When the insured returns the FL 29-615 after 31 days but within 6 months from the next premium due date it will, if the insured is in the required state of health, be accepted in lieu of a formal application. The account will be reinstated as of the postmark date of the application.

g. When the insured fails to return the comparative health statement but submits a physical examination report within 6 months after the 31-day period as specified above, the following action will be taken:

(1) If the applicant is in the required state of health, the account will be reinstated as of the postmark date of the application.

(2) If the application is medically rejected, it will be reconsidered as a comparative health reinstatement as of the date the monetary requirements were met. If the insurance to be reinstated is term insurance, the necessity of paying the back premiums from the date of reinstatement and the action taken will be explained to the insured.

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## CHAPTER 5. RENEWAL

### 5.01 GENERAL

a. All NSLI and USGLI term policies are renewable every 5 years as outlined in M29-I, part I, chapter 7. However, NSLI term policies with W prefixes cannot be renewed after the policyholder's 50th birthday. If the W term policy is not converted to a permanent plan before the end of the term period in which the policyholder reaches age 50, the protection ceases and the insurance contract expires at midnight on the last day of that term period.

b. The computer system automatically processes the majority of the renewal transactions, releasing the renewal certificate, updating the insurance master record and printing a transaction history line. The transaction type 800, 810 or 820 printed on the transaction history line reflects the action which was taken by the system.

These transaction codes are listed and defined in MP-6, part II, supplement No. 1.4, chapter 2. The transaction history line also contains the renewal premium for all modes of premium payment, the effective date of renewal and a code indicating the type of renewal certificate (deduction or direct pay) which was released. The codes are 80 for direct pay and **81** for deduction certificates of renewal.

c. Automatic renewal action will not be taken by the system if there is a policy and/or life freeze on the insurance master record. In such cases, a VA Form [29-5886b] Insurance Record Print Out, in the RPO reason code 800 series is generated for clerical action. The RPO reason codes are listed and defined in MP-6, part II, supplement No. 1.4, chapter 1.

[d. Renewal of V, H or K policies after age 90 and RH policies after age 94 are at the same rates as those for the corresponding ordinary life plan issued at the same ages. As the rates are the same and the ordinary life plan has guaranteed values, term insurance due for renewal after the above ages will be automatically converted to the ordinary life plan instead of being renewed.]

### 5.02 AUTOMATIC PROCESSING

a. Direct pay accounts (how paid 9) are automatically updated on the actual renewal date provided the premiums for the 60th month of the current term period, which is about to expire, has been paid. [VA Forms 29-483, Certificate of Renewal] are system generated and released to the mailing address of record [for the following types of accounts:]

(1) NSLI Accounts, [other than] W insurance prefix, [and]

(2) NSLI Accounts, [ ] W Insurance prefix, renewal age [50] or under, [and]

(3) [USGLI] Accounts

(4) and (5) [(Deleted by change 12.)]

b. Allotment from [active] service or retired pay accounts (how paid 6) are automatically renewed in two phases:

(1) **Transaction Type 810.** Four months before the actual renewal date, a [VA Form 29-1588, Request for Allotment Deduction Change] is generated by the system and immediately released to the respective Service Department Finance Center. [Simultaneously, a VA Form 29483a, Certificate of Renewal] is [ ] generated and released to the mailing address of record. [The renewal certificate will be overprinted with the legend WE ARE REQUESTING YOUR ALLOTMENT OFFICE TO INCREASE YOUR DEDUCTION TO COVER THE NEW MONTHLY PREMIUM.] In addition, the system inserts into the [ ] master record an action type 20 with an action date 1 month subsequent to the actual renewal date. The action type codes are listed and defined in MP-6, part II, supplement No. 1.4, chapter 3. [On multiple policy cases, the renewal certificate will be generated and

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released to the mailing address of record. An RPO will be generated with reason code 876 for clerical preparation of the VA Form 29-1588 and forwarding to the Service Department Finance Centers.]

(2) **Transaction Type S20.** One month after the [ ] renewal date, the insurance master record is automatically [updated for renewal], the system restores the action type 10 and advances the action date to 4 months prior to the next actual renewal date. If the renewal deduction increase has not been received, a follow-up VA Form [29-1588] is generated and immediately released to the respective Service Department Finance Center. Simultaneously, the system inserts a 951 policy freeze with a 60-day callup date. If the renewal deduction increase is received prior to the callup date, the 951 policy freeze is automatically deleted. The deduction transaction is automatically posted, if in order, or is inserted as a pending transaction. If the renewal deduction is **not** received prior to the callup date, an RPO reason code 951 is generated for clerical follow-up action and the 951 policy freeze callup date is automatically advanced by 30 days.

c. Deduction from VA benefit accounts (how paid 3) are also automatically renewed in two phases:

(1) **Transaction Type 810 [(Deduction From Benefit Cases)]** - On the 5th day of the 2d calendar month preceding the actual renewal date, a punched card, VA Form 29-5926, Request for DFB Action, is generated by the system. These punched cards are used to transmit the request for the renewal deduction increase to the Hines DPC, Manila regional office and Philadelphia VA center on the 25th day of the calendar month preceding the effective date of the required deduction increase. In addition, the system inserts into the insurance master record an action type 20 with an action date 3 months subsequent to the actual renewal date. Simultaneously, [a VA Form 29483a is generated] and released to the mailing address of record [ ]. The renewal certificates are overprinted with the legend WE WILL INCREASE YOUR DEDUCTIONS [TO COVER] THE NEW MONTHLY PREMIUM.

(a) and (b) [(Deleted by change 12.)]

(2) **Transaction Type 820.** Upon receipt of the renewal deduction increase or 3 months after the actual renewal date, whichever comes first, the insurance master record is automatically renewed. The system restores the action type 10 and advances the action date to the 5th day of the 2d calendar month preceding the next actual renewal date. If the renewal deduction increase has not been received, a 951 policy freeze with a 60-day callup date is inserted in the insurance master record and an RPO reason code 874 is generated for clerical follow-up action. If the renewal deduction increase is received prior to the 951 policy freeze callup date, the deduction transaction is automatically posted, if in order, or is inserted as a pending transaction. If the renewal deduction increase is not received prior to the 951 policy freeze callup date, an RPO reason code 951 is generated for clerical action and the callup date is automatically advanced by 30 days.

d. Employee payroll deduction accounts (how paid 8) are automatically renewed in the following manner:

(1) **Transaction Type 810 [(Payroll Employee Cases)]** - Four months before the actual renewal date, [a] renewal [certificate will be] system generated and released to the mailing address of record [ ] - These renewal certificates are overprinted with the legend PLEASE HAVE YOUR EMPLOYER INCREASE THE AMOUNT PAID TO THIS OFFICE BY \$ \_\_\_\_\_ - A duplicate copy of the renewal certificate is also transmitted to the policyholder's employer. In addition, the system inserts into the insurance master record an action type 20 with an action date [for] **the** actual renewal date.

(a) **and** (b) [(Deleted by change 12.)]

(2) **Transaction Type 820.** [On the] renewal date, the insurance master record is automatically renewed.

**The** system also restores action type 10 and advances the action date to 4 months prior to the next actual renewal **date**.

e. Disability waiver (how **paid** 5) and section 724 waiver (how paid 7) accounts are automatically renewed on the actual renewal date. [**The** computer system generates a renewal certificate on each amount under a disability waiver and releases it to the mailing address of record.] The renewal certificate [is] overprinted with the legend PREMIUM WAIVER WILL CONTINUE ON THE RENEWED POLICY UNTIL FURTHER NOTICE. [Renewal certificates *are not* released on the section 724 accounts. These insured's were notified their insurance will remain

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**M29-1, Part II**

**Advance Manual Change No. 2-84**

**July 13, 1984**

### **Chapter 5 - Renewal**

A. **Change:** **M29-1, Part 11, Chapter 5. This Advance Manual Change provides instructions for inviting exchange of USGLI term insurance now that all "K" policies have been declared paid-up. VA Form Letter 29-646, Exchange for Endowment at Age 96, VA Form Letter 29-692, Cost Comparison Between Term and Endowment at Age 96, and VA Form 29-358, Application for Exchange to Special Endowment at Age 96, formerly used, are no longer appropriate because they refer to the premium paying status of the insured.**

B. **Procedure:** Page 5-4, delete subparagraphs 5.05a and b and substitute the following:

a. One month before the insured's 65th birthday, the system generates a Reason Code 996 RPO. Unless the RPO shows a disability waiver diary, a letter will be released to the insured inviting him to exchange his USGLI term insurance for Special Endowment at Age 96. The appropriate Endowment at Age 96 exchange letter is prepared in the Policy Service Section Office, on a case by case basis. The RPO is noted to show release of the letter, stamped "Ready For File," signed, dated, and filed in the insurance folder.

b. If the Reason Code 996 RPO shows a waiver diary, no letter will be released. The RPO will be destroyed.

C. New or Revised  
Insurance Forms: None

ROBERT W. CAREY  
Assistant Director for Insurance

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in force until **they request termination of the waiver or at the end of the 120-day period** following separation from active **duty** whichever occurs **first**. **They were also told that it is their responsibility to tell the VA** of their separation from active duty if the section 724 waiver **is in force at that time**.

[]

### 5.03 CLERICAL PROCESSING

a. When **the renewal action cannot be taken automatically by the system, an RPO in the 800 series is generated for clerical action. The RPO reason codes are listed and defined in MP-6, part II, supplement No. 1.4, chapter 1.**

b. When it is **necessary to renew the account clerically, prepare two VA Forms 29-8530, Life/Miscellaneous, input document, transaction type 082, to update the policy segment and transaction type 072 to change the action type and action date. The 072 transaction type must be prepared as a second- or third-day release.**

### 5.04 RELEASE OF CONVERSION INFORMATION OF W TERM INSURANCE

a. **Term policies with W prefixes may not be renewed after the policyholder's 50th birthday. On these term policies, a policy callup code 869 is inserted into the system. This will cause the system to generate an RPO reason code 869 I year before the end of the final term period. Upon receipt of the**

**RPO reason code 869, action is taken to insert a policy callup code 870 into the system. This will cause the system to generate an RPO reason code 870 3 months before the end of the final term period. If the term policy is in force under disability waiver (section 712-how paid 5), the system will generate an RPO reason code 860 1 month after the termination date of the final term period.**

**b. Direct Pay Accounts (How Paid 9).** FL 29-700 will be released to the insured when the 869 RPO is generated, and FL 29-700a will be released when the 870 RPO is generated. The RPO's, in each instance, will be noted to reflect release of the form letter, date of release and stamped Ready for File, and sent for filing in the insurance folders.

**c. Allotment Accounts (How Paid 6).** A dictated letter will be released containing substantially the same information contained in the FL's 29-700 and 29-700a. The insured will be informed that the VA will request the adjustment of the allotment to the amount of the premium for the plan selected. Further, in the reason code 870 letter, the insured will be informed that discontinuance will be requested if he or she decides not to convert. The month of discontinuance will also be furnished. A diary message 953 W CONV LTR (MN) will be inserted with a callup date 2 months after the end of the term period. When an RPO is received as a result of the diary, and the insured has not applied for conversion and the allotment is still active, a letter will be released to the insured informing him or her that the insurance protection terminated as of the end of the term period (quote date), and the allotment will be discontinued as of a date that would pay premiums through the term period. At the same time, a similar letter will be sent to the allotment office soliciting their aid in having the W term Insurance allotment stopped.

**d. DFB Accounts (How Paid 3).** A dictated letter will be released containing substantially the same information contained in the FL's 29-700 and 29-700a. The insured will be informed that VA will automatically increase the deduction to provide for the conversion premium for the plan of insurance selected if the compensation is sufficient. The insured will be told that he or she should pay direct premiums if the compensation is not enough to cover the converted insurance premium. In the reason code 870 letter, also include the information that the insured should immediately notify VA if he or she does not intend to convert the insurance. A VA Form 29-5926 will be prepared requesting discontinuance as of a date which will pay premiums through the end of the term period, and the RPO annotated accordingly.

**e. Payroll Deduction Accounts (How Paid 8).** A dictated letter will be released containing substantially the same information contained in the VA FL 29-700 and 29-700a. The insured will be informed to increase the payroll deduction to provide for the plan of insurance selected. If the insured does not intend to convert to a permanent plan, he or she should notify VA immediately, and discontinue the payroll deduction to pay through the last month of the term period. If the insured fails to convert or discontinue his or her deduction after expiration of the contract, a dictated letter will be released to the insured, advising him or her of the termination of the W term contract.

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**f. Section 712 Waiver Accounts (How Paid 5)**

(1) When reason codes 869 and 870 are received on a how paid 5 account, a dictated letter will be released informing the policyholder of the requirements to convert the account by the expiration date of his or her W term contract. A VA Pamphlet 29-20 will be enclosed and the insured's attention will be called to the description of the available plans of Insurance (endowments excluded). The insured will also be referred to the premium rate tables and informed that unless the disability has been declared statutory (not subject to future review), he or she would be required to pay premiums at the rate for the plan selected, if at

a future date he or she becomes less than totally disabled and the waiver of premiums is terminated. The insured will also be informed that if he or she does not convert within the specified time, the W term contract will automatically be converted to the Ordinary Life plan.

(2) When reason code 860 RPO is received, it will be determined whether the insured was notified of conversion requirements. If he or she had not been notified, a 31-day letter will be released giving conversion requirements as in subparagraph (l) above. This letter will also include a statement that he or she must convert as of the expiration date of the W term contract, or the contract will automatically be converted to the Ordinary Life plan. If he or she had been notified and did not comply with requirements, the Policy Service Section will take action to automatically convert the contract to the Ordinary Life plan.

#### **5.05 RELEASE OF INFORMATION ON EXCHANGE OF USGLI TERM INSURANCE**

When an insured with USGLI term insurance reaches his or her 65th birthday, he or she is eligible to apply for exchange of the term insurance to a Special Endowment at Age 96 plan.

a. One month before the insured's 65th birthday, the system generates a reason code 996 RPO. FL 29-646 will be released to the insured advising of the Special Endowment at Age 96 plan. VA [Form] 29-358a [Application for Exchange to Special Endowment at Age 96 Plan] will be enclosed **with this letter**. The RPO will be noted to show release of the form letter, stamped Ready for File, signed, dated and filed in the insurance folder.

b. At each renewal on and after the insured's 65th birthday, the system generates an RPO reason code 865. The insurance folder will be examined to determine if the insured was previously advised within the last 3 months, and if so, the RPO will be destroyed. If not, FL 29-692 will be released to the insured. The RPO will be noted, stamped Ready for File, signed, dated and filed in the insurance folder.

#### **5.06 RENEWAL OF REDUCED AMOUNT OF TERM INSURANCE AT THE OLDER AGES**

Due to the sharp increase in the term insurance premiums upon renewal at the older ages, some insureds find it financially impossible to pay the higher premiums. When an insured, whose term insurance is subject to renewal, informs the VA that he or she is discontinuing the insurance because he or she cannot afford the increase in premiums, the following actions will be taken:

a. The amount of premiums being paid prior to the renewal will be applied at (that) rate for the renewal age to determine the exact amount of insurance it will purchase. **The** computed amount will be rounded to the next higher dollar.

[]

b. If the TDIP (total disability income provision) is attached to the expiring term policy, the following options of reduced coverage will be available to the insured at the old premium rate:

(1) Use **the** amount **of** the combined insurance and TDIP premium he or she has been paying on the expiring term insurance to renew reduced insurance TDIP in equal amounts;

(2) **Drop the** TDIP and use the combined insurance and TDIP premium that he or she has been paying to renew the insurance only. In some cases, the combined premium being paid could buy the full face amount of insurance, but **in most** cases it would purchase a reduced amount.

c. **A letter will be** written informing the insured of the option(s) available. Quote the exact amount(s), rounded to the **next dollar** of term insurance and TDIP, if any, being paid on the expiring term policy will -purchase **at the attained age**. **Advise** that he or she may continue the amount(s) quoted for the next 5 years at the **old premium rate, but that** subsequent renewals at the older ages will require further reductions if he or she wants **to continue to** pay **the** same premium. If TDIP is involved, the insured should be reminded of the date on which TDIP premiums will cease, and, as appropriate, the age after which TDIP premiums do not increase at renewal.

**The** letter should also include information about regular reduction in multiples of \$500 to an amount not less than \$1 ,000, and a VA Form 29-339, Application for Reduction, should be enclosed.

d. If, at any time other than in connection with renewal, the insured informs the VA that he or she is discontinuing the insurance because he or she cannot afford to pay the premiums, advise the insured that the insurance can be reduced in multiples of \$500 to an amount not less than \$1,000. Quote premium rates per \$1 ,000 and enclose a VA Form 29-339 in the letter.

e. In all cases when corresponding with an insured concerning a reduction of the term insurance, it should be suggested that, as a means of avoiding future periodic premium increases, he or she should consider converting a reduced amount of the insurance to a permanent plan. An appropriate pamphlet should be enclosed in the letter **and** attention called to the paragraphs concerning conversion, the permanent plans available, and the premium rates and guaranteed values for these plans. A VA Form 29-358, Application for Conversion, should also be enclosed in the letter. [If paid-up additions are involved, disposition of the paid-up addition will also be requested.]

f The insured will be given 31 days to let the VA know of his or her decision and to pay any premiums required to place the account on a current basis. In addition, a frozen 45-day diary with a 970 callup type will be inserted in the master record with the message 690 (MO NO., DAY). This will be a standard diary message to indicate **that it is an** *Insurance not desired* case and must be processed with the insurance folder.

g. Upon **receipt of the required** information and premiums, the proper input forms will be prepared to change the **age and reduce the amount** of insurance.

h. **At the end of the** diary period, the case will be reviewed and if there is no indication that the insured desires **to continue the** insurance, action will be taken to refund any credits and authorize any unpaid dividends using the dividend **rate** for last year's dividend if the current rate is not available. Any credits and/or dividends **will be inserted** as a pending disbursement transaction type 609. The how paid code will be changed to 1 and the action type **to 5 with** an action date to purge the master record from tape one day after the disbursement date. If the **insured** has another active policy being paid direct, any credits will be transferred to that policy unless there is a specific request for **refund**. [ ]

(1) On deduction type accounts, [take immediate action to have the deduction decreased or discontinued, refund all credits and authorize any unpaid dividends. Change the how paid code to 1, the action type to 5 and insert **the** appropriate diary in the master record.]

(2) In all cases, if paid-up additions are involved, disposition of the paid-up addition will be requested from the insured.

M29-1, Part I  
Advance Manual Change No. 11-84

November 1, 1984

Chapter 5 - Dividends

A. Change: M29-1, Part I, Chapter 5, Paragraph 5.14.

B. Procedure: Delete paragraph 5.14 (Interest Rates) in its entirety and substitute the following:

a. Effective January 1, 1985, the interest earned on NSLI ("V" Prefixed Policies) dividend credit and deposit accounts is 0 percent per annum. The interest rates for prior years are shown in Exhibit A.

b. Effective January 1, 1988, the interest earned on USGLI ("K" Prefixed Policies) dividend credit and deposit accounts is 7.0 percent per annum. The interest rates for prior years are shown in Exhibit B.

c. Effective January 1, 1988, the interest earned on dividend credit and deposit accounts on "RS" and "w" prefixed policies is 7.0 percent per annum. The interest rates for prior years are shown in Exhibit C.

d. Effective January 1, 1988 the interest earned on dividend credit and deposit accounts on policies prefixed in the "J" series is 9.50 percent per annum. The interest rates for prior years are shown in Exhibit D.

C. New or Revised Insurance Forms: None

Y', '-.~ ~5

Assistant Director for Insurance

DISTRIBUTION:

335/29	85
310/290	50
310/291	137
310/Library	1
203/SDA	2
CO/311D	2

EXHIBIT A. INTEREST RATE CHART  
(NSLI) "V" PREFIXED POLICIES)

<u>Period</u>	<u>Percentage Rate</u>
Prior to the 1965 Policy Anniversary Date	3
1965 Policy Anniversary Date through December 18, 1967 . 1/4	3
December 19, 1967 December 31, 1970	4
January 1, 1971                      December 26, 1971	4 1/4
December 27, 1971 - December 31, 1974 1/2	4
January 1, 1975                      December 31, 1975	4 3/4
January 1, 1976                      - December 31, 1977	5
January 1, 1978                      - December 31, 1978	5 1/2
January 1, 1979                      -December 31, 1979	5 3/4
January 1, 1980                      December 31, 1980	6 3/4
January 1, 1981                      - December 31, 1981	7
January 1, 1982                      - December 31, 1982	7 3/4
January 1, 1983                      - December 31, 1983	
January 1, 1984                      - December 31, 1984	8 1/2
/	

EXHIBIT B. INTEREST RATE CHART  
(USGLI) "K" PREFIXED POLICIES)

<u>Period</u>	<u>Percentage Rate</u>
Prior to December 19, 1967	3 1/2
December 19, 1967                      - December 26, 1971	4
December 27, 1971                      - December 31, 1974	4 1/4
January 1, 1975                      - December 31, 1975	4 1/2
January 1, 1976                      - December 31, 1977	4 3/4
January 1, 1978                      - December 31, 1978	5 1/4
January 1, 1979                      - December 31, 1979	5 3/4
January 1, 1980                      - December 31, 1980	6 3/4
January 1, 1981                      December 31, 1981	6 3/4
January 1, 1982                      December 31, 1982	7
January 1, 1983                      - December 31, 1983	
January 1, 1984                      December 31, 1984	
,	



CHAPTER 6 - DIVIDENDS

- A. Change: M29-1, Part II, Chapter 6.  
B. Procedure: Add the following interest year factor to Figure 6.01, Page 6-22c:

Dividend

<u>Year</u>	<u>1980</u>	<u>1981</u>
1952	1.88852	2.09072
1953	1.80439	2.00070
1954	1.72271	1.91330
1955	1.64340	1.82844
1956	1.56641	1.74606
1957	1.49165	1.66607
1958	1.41909	1.58843
1959	1.34863	1.51303
1960	1.28021	1.43982

Reg. & Spec.

1961	1.21381	1.36878
1962	1.14935	1.29980

Reg. & Spec.

1963	1.08673	1.23280
1964	1.02594	1.16776
1965	.96216	1.09951
1966	.90041	1.03344
1967	.84060	.96944
1968	.76980	.89369
1969	.70173	.82085
1970	.63630	.75084
1971	.56960	.67947
1972	.50199	.60713
1973	.43731	.53792
1974	.37542	.47170
1975	.31305	.40496
1976	.25052	.33806
1977	.19097	.27434
1978	.12888	.20790
1979	.06750	.14223
1980		.07000

Insurance Forms: None

BERT W. CAREY  
Assistant Director For Insurance

DI STRIB'UTION:

335-29	-	120
310-290	-	45
310-291	-	200
244C	-	10
Library	-	1

~ M29-1, Part II  
Advance Manual Change No. 9-83

June 28, 1983

Chapter 6 - Dividends

A. Change: M29-1, Part II, Chapter 6.

B. Procedure: Add the following interest year factor to Figure 6.01, Page 6-22c:

<u>Dividend</u> <u>Year</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
1952	1.88852	2.09072	2.33025	2.59667
1953	1.80439	2.00070	2.23325	2.49191
1954	1.72271	1.91330	2.13908	2.39020
1955	1.64340	1.82844	2.04765	2.29146
1956	1.56641	1.74606	1.95888	2.19559
1957	1.49165	1.66607	1.87270	2.10251
1958	1.41909	1.58843	1.78903	2.01215
1959	1.34863	1.51303	1.70779	1.92442
1960	1.28021	1.43982	1.62893	1.83924

Reg. & Spec.

1961	1.21381	1.36878	1.55236	1.75654
1962	1.14935	1.29980	1.47802	1.67626

Reg. & Spec.

1963	1.08673	1.23280	1.40584	1.59831
1964	1.02594	1.16776	1.33577	1.52263
1965	.96216	1.09951	1.26224	1.44322
1966	.90041	1.03344	1.19104	1.36632
1967	.84060	.96944	1.12207	1.29183
1968	.76980	.89369	1.04045	1.20369
1969	.70173	.82085	.96197	1.11893
1970	.63630	.75084	.88651	1.03743
1971	.56960	.67947	.80960	.95437
1972	.50199	.60713	.73168	.87021
1973	.43731	.53792	.65711	.78968
1974	.37542	.47170	.58575	.71261
1975	.31305	.40496	.51384	.63495
1976	.25052	.33806	.44175	.55709
1977	.19097	.27434	.37310	.48295
1978	.12888	.20790	.30152	.40564
1979	.06750	.14223	.23075	.32921
1980		.07000	.15293	.24516
1981			.07750	.16370
1982				.08000

2.

M29-1, Part II  
Advance Manual Change No. 9-83

C. New or Revised

Insurance Forms: None

**BERT W. CAREY**

Assistant Director for Insurance  
DISTRIBUTION:

335/29	80
310/290	55
310/291	200
310/Library	1
244C	10

M-29-1, Part II  
advance Manual Change No. 2-87

December 11, 1987

Chapter 6 - Dividends

A. Change: M29-1, Part II, Chapter 6. This change provides the new dividend credit and deposit interest rates for 1988. The 1988 interest rates remain the same as the 1987 interest rates.

B. Procedure: Change 6.11a (l) to read:

(l) The 1987 interest rates were as follows:

(a)	USGLI ("K" prefixed policies) -	7%	per annum.
(b)	NSLI ("V" prefixed policies) -	9.25%	per annum.
(c)	"RS and W" prefixed policies -	9.25%	per annum.
(d)	"J, JR, JS" prefixed policies -	9.75%	per annum.

Change 6.11a (2) to read:

(2) The 1988 interest rates are as follow:

(a)	USGLI ("K" prefixed policies) -	7%	per annum.
(b)	NSLI ("V" prefixed policies) -	9.25%	per annum.
(c)	"RS and W" prefixed policies -	9.25%	per annum.
(d)	"J, JR, JS" prefixed policies -	9.75%	per annum.

NOTE: The daily interest factors for the above policies effective January 1, 1988, are in figures 6.13, 6.19a, and 6.21.

C. New or Revised Insurance Forms: None

Assistant Director for Insurance

DISTRIBUTION:

335/29	92
310/290	51
310/291	1
310/292	142
310/295	67
310/Library	1
CO/3IID	2
TOTAL	356

M29-1, Part II  
Advanced Manual Change No. 3-87

December II, 1987

Chapter 6 - Dividends (NSLI - V)

A. Change: M29-1, Part II, Chapter 6.

B. Procedure: Add the following interest year factor to Figure 6.01, Page 6-22c:

Dividend					
<u>Year</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>

1952	2.90238	3.25360	3.64705	4.07691	4.54652
1953	2.78872	3.12970	3.51170	3.92903	4.38497
1954	2.67837	3.00942	3.38029	3.78547	4.22813
1955	2.57123	2.89264	3.25271	3.64609	4.07585
1956	2.46722	2.77926	3.12885	3.51077	3.92801
1957	2.36623	2.66919	3.00859	3.37938	3.78448
1958	2.26818	2.56232	2.89183	3.25183	3.64512
1959	2.17299	2.45856	2.77848	3.12799	3.50983
1960	2.08058	2.35783	2.66843	3.00776	3.37847
Regular & Special					
1961	1.99085	2.26003	2.56158	2.89103	3.25095
1962	1.90374	2.16507	2.45784	2.77769	3.12713
Regular & Special					
1963	1.81916	2.07289	2.35713	2.66766	3.00692
1964	1.73705	1.98339	2.25935	2.56084	2.89022
1965	1.65090	1.88948	2.15676	2.44876	2.76777
1966	1.56746	1.79853	2.05739	2.34020	2.64917
1967	1.48664	1.71044	1.96115	2.23506	2.53430
1968	1.39100	1.60619	1.84726	2.11063	2.39837
1969	1.29904	1.50595	1.73775	1.99099	2.26766
1970	1.21061	1.40957	1.63245	1.87596	2.14198
1971	1.12049	1.31134	1.52514	1.75871	2.01389
1972	1.02918	1.21181	1.41640	1.63991	1.88411
1973	.94180	1.11656	1.31234	1.52623	1.75991
1974	.85818	1.02542	1.21277	1.41745	1.64106
1975	.77392	.93357	1.11243	1.30783	1.52130
1976	.68945	.84150	1.01184	1.19793	1.40124
1977	.60900	.75381	.91603	1.09327	1.28689
1978	.52512	.66238	.81615	.98414	1.16767
1979	.44219	.57199	.71740	.87625	1.04981
1980	.35100	.47259	.60880	.75762	.92020
1981	.26261	.37625	.50355	.64263	.79457
1982	.17180	.27726	.39541	.52448	.66550
1983	.08500	.18265	.29205	.41156	.54213
1984		.09000	.19083	.30098	.42132
1985			.09250	.19356	.30396
1986				.09250	.19356
1987					.09250

C. New or Revised  
Insurance Forms: None

PAUL F. KOONS  
Assistant Director for Insurance

DISTRIBUTION:

335/29	92
310/290	51
310/291	1
310/292	142
310/295	67
310/Library	1
CO/3IID	2
TOTAL	356

M29-I, Part II  
Advance Manual Change No. 3-86

December 18, J986

Chapter 6 - Dividends

- A. Change: N29-1, Part 11, Chapter 6.
- B. Procedure: Delete paragraph 6.11a in its entirety and substitute the following:

a. The system will generate an PRO for clerical action if it encounters a condition which prevents it from calculating interest. When withdrawals are made from dividend credit or deposit accounts clerically for payment to the insured, it will be necessary to clerically calculate interest on the amount withdrawn from the prior policy anniversary date to the date the withdrawal is processed. The postmark date will be the transaction date on withdrawals for payment of premiums or loan/lien indebtedness. When computing interest for less than a full policy year, daily interest factors based on the annual interest **rate'** will be used.

(1) The 1986 interest rates were as follows:

- (a) USGLI ("K" prefixed policies) - 7% per annum.
- (b) NSLI ("v" prefixed policies) - 9.25% per annum.
- (c) "RS and W." prefixed policies - 8.75% per annum.
- (d) "J, JR, JS" prefixed policies - 9.75% per annum.

(2) The 1987 interest rates are as follows:

- (a) USGLI (~x prefixed policies) - 7% per annum.
- (b) NSLI ("v" prefixed policies) - 9.25% per annum.
- (c) "RS and W" prefixed policies - 9.25% per annum.
- (d) "J, JR, JS" prefixed policies - 9.75% per annum.

NOTE: The daily interest factors for the above policies effective January 1, J987, are in figures 6.13, 6.19a, and 6.21.

- C. New or Revised Insurance Forms: None

Assistant Director for Insurance

DISTRIBUTION:

335/29            92  
310/290         51  
3)0/291         ]]]  
310/Library      J  
C(0)3)JD            3 -

M29-1, Part II  
Advance Manual Change No. 15-83

December 16, 1983

Chapter 6      Dividends

- A. Change:            M29.1, Part II, Chapter 6.
- B. Procedure:        Add the following interest year factor to Figure 6.01, Page 6-22c:

<u>Dividend</u> <u>Year</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
1952	2.09072	2.33025	2.59667	2.90238
1953	2.00070	2.23325	2.49191	2.78872
1954	1.91330	2.13908	2.39020	2.67837
1955	1.82844	2.04765	2.29146	2.57123
1956	1.74606	1.95888	2.19559	2.46722
1957	1.66607	1.87270	2.10251	2.36623
1958	1.58843	1.78903	2.01215	2.26818
1959	1.51303	1.70779	1.92442	2.17299
1960	1.43982	1.62893	1.83924	2.08058
Regular        & Special				
1961	1.36878	1.55236	1.75654	1.99085
1962	1.29980	1.47802	1.67626	1.90374

Regular	& Special			
1963	1.23280	1.40584	1.59831	1.81916
1964	1.16776	1.33577	1.52263	1.73705
1965	1.09951	1.26224	1.44322	1.65090
1966	1.03344	1.19104	1.36632	1.56746
1967	.96944	1.12207	1.29183	1.48664
1968	.89369	1.04045	1.20369	1.39100
1969	.82085	.96197	1.11893	1.29904
1970	.75084	.88651	1.03743	1.21061
1971	.67947	.80960	.95437	1.12049
1972	.60713	.73168	.87021	1.02918
1973	.53792	.65711	.78968	.94180
1974	.47170	.58575	.71261	.85818
1975	.40496	.51384	.63495	.77392
1976	.33806	.44175	.55709	.68945
1977	.27434	.37310	.48295	.60900
1978	.20790	.30152	.40564	.52512
1979	.14223	.23075	.32921	.44219
1980	.07000	.15293	.24516	.35100
1981		.07750	.16370	.26261
1982			.08000	.17180
1983				.08500

VA Regional Office and Insurance Center  
Philadelphia, PA

Circular 29-85-1  
December 18, 1985

DIVIDEND CONTROL ACCOUNT NUMBERS

1. ORGANIZATIONAL ELEMENTS AFFECTED: Insurance Operations Div. - VAROIC  
Finance Division - VAROIC  
Operations Division - VARDPC  
Analysis and Control Div. - VARDPC
2. REFERENCES: M29-1, Part II, Chapter 24
3. PURPOSE: To confirm the necessary changes in the Dividend Control Account Numbers due to the payment of the 1986 dividends.
4. PROCEDURE:
  - a. Effective December 31, 1985, PDN 365/85, the dividend control account numbers will be changed as shown below:

NSLI

GENERAL LEDGER

DIVIDEND CONTROL

W ACCOUNT NUMBER NAME

ACCOUNT NUMBER

4331	Special and Regular Annual 1948/1984 (V only)	45
4331.3	Special and Regular Annual 1948/1984 - O/P (V only)	46
4531	1975/1984 Regular Annual (Except V)	45
~531.3	1975/1984 Regular Annual - O/P (Except v)	46

USGLI

4332	Special and Regular Annual 1921/1986	45
4332.3	Special and Regular Annual 1921/1986 - O/P	46

NSLI

4385	1985 v Regular Annual	47
4385.3	1985 V Regular Annual - O/P	48
4585	1985 Regular Annual (Except v)	47
4585.3	1985 Regular Annual - O/P (Except v)	48
4386	1986 v Regular Annual	49
- 4386.3	1986 V Regular Annual - O/P	50
4586	1986 Regular Annual (Except v)	49
4586.3	1986 Regular Annual - O/P (Except v)	50
4351	Dividends - Settlement (All Funds)	43
4351.3	Dividends Settlement - O/P (All Funds)	44

- b. In order to prevent cross actions, all punched card inputs using the existing dividend control account numbers must be delivered to the Input/Output Section, DPC, by c.o.b. December 20, 1985. OCR documents using the existing dividend control account numbers must be inserted by c.o.b. December 27, 1985. The revised dividend control account numbers will be used on all inputs commencing December 30, 1985.

5. CONCURRENCE: The Director, Philadelphia Data Processing Center concurs.

6. RESCISSION: VAC Circular 29-84-6 is rescinded effective December 31, 1985.

T W. CARNEY

ROBER

Director

DISTRIBUTION:

A-1

D-1

E- 1-2-3-5

F-1-2-3-6-8-12-15-21-22-26-29-33

R-2-5

S-1-2

W T-1

PAID UP ADDITION RATES

Ages 61-96

AGE

AMOUNT

61	\$17.19
62	16.83
63	16.48
64	- 16.15
65	15.83
66	15.53
67	15.24
68	14.97
69	14.71
70	14.46
71	- 14.23
72	14.01
73	13.80
74	13.60
75	13.40
76	13.21
77	13.03
78	12.86
79	12.70
80	12.54
81	12.39
82	12.26
83	12.12
84	12.00
85	11.88
86	11.76
87	11.64
88	11.52
89	11.40
90	11.27
91	11.14
92	10.99
93	10.82
94	10.61
95	- 10.35
96	10.00

**ft**

**May 12, 1980**

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**CHAPTER 6. DIVIDENDS**

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**M29-1, Part II  
Change 16**

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iii

September 13, 1976

**M29-1, Part II  
Change 13**

**CHAPTER 6. DIVIDENDS**

**6.01 DIVIDEND RATES**

a. Dividend rates are inserted in the master record by run 910. They will be shown on [VA Form 29.5886b, Insurance Record Printout], of a participating policy, in the dividend information field under flee heading Rate

Per \$1000. When the dividend for the current year is paid, the dividend rate is signed minus and remains in the master record until new rates are inserted the following year by run 910.

a.1 Dividends due on policies terminated by cash surrender, after the policy anniversary up to the date of termination, will be paid at the time of settlement. They will be computed in the same manner and at the same monthly rate as regular dividends using the last years dividend rate if the current rate is not available.

a.2 Dividends due after the policy anniversary date up to the date of conversion or discontinuance of the term insurance will be paid at the time of conversion or discontinuance of the policy. Last year s dividend rate will be used if the current rate is not available.]

b. If a policy matures because of total and permanent disability or is terminated by death or cash surrender before the dividend rates for the current year have been inserted in the master record, a dividend due for the current year will be paid at the rate [of] the prior year's dividend.

c. If a 626 pending dividend transaction for a future year is established and paid in the current year, the rate will be the same as for the current year.

d. Rates for dividends are published in the M29-2 (NSLI) and M294 (USGLI) series.

## **6.02 CALCULATION OF DIVIDENDS**

a. Policies on a Premium-Paying Basis

(1) The factors for determining the amount of dividends are the:

(a) Plan of insurance;

(b) Effective year of issue;

(c) Age of insured on effective date of the policy;

(d) Monthly dividend rate per \$1 ,000;

(e) Number of months the policy has been in force on a premium-paying basis during the policy year.

(f) Amount of insurance in force during the policy year with the following exception: On the modified life (plan 9 [only 1]), the dividend is payable for the full dividend year based on the amount of insurance in force prior to the automatic reduction at ages [65 and 70].

(2) To obtain the amount of the dividend, multiply the monthly dividend rate per thousand by the number of months the policy was on a premium-paying basis during the policy year. The result, multiplied by the face amount of insurance in thousands, is the amount of the dividend payable.

b. Reduced Paid-Up Insurance

(1) The factors for determining the amount of dividends are the:

(a) Plan of insurance;

(b) **Attained age** of the insured; (Dividend year minus the year of issue of the parent policy plus the age at issue of the parent policy. Also, on a paid-up 20-year endowment, compute the year of maturity as the year of **issue** of **the** parent policy plus 20 years).

(c) Number of months the contract was in force as paid-up insurance during the parent policy dividend year;

(d) Amount of paid-up insurance;

(e) Monthly dividend rate per \$1,000 paid-up insurance.

(2) To obtain the amount of dividend, multiply the monthly dividend rate by the number of months the insurance was in force as paid-up insurance during the parent policy year. The result, multiplied by the face amount in thousands of the paid-up insurance, is the dividend payable.

c. Extended Term Insurance Without Pure Endowment

(1) **The** factors for determining the amount of dividends **are the:**

(a) **Attained age** of the insured; (dividend year minus the year of issue of the parent policy plus the age at issue of the parent policy).

(b) Year of expiry of the extended term insurance;

(c) Number of full months the policy was in force as extended term insurance during the parent policy year;

(d) Amount of extended term insurance;

(e) Monthly dividend rate per \$1,000.

(2) To obtain the amount of dividends, multiply the monthly dividend rate per thousand by the number of months the policy was in force as extended term insurance during the parent policy year. The result, multiplied by the face amount of insurance in thousands, is the amount of the dividend payable on the extended term insurance.

d. Extended Term Insurance With Pure Endowment

(1) The factors for determining the amount of dividends for the extended term insurance **are the:**

(a) **Attained age** of the insured; (dividend year minus the year of issue of the parent policy plus the **age** at issue of **the** parent policy).

(b) Year of maturity of the extended term insurance;

(c) Number of **full** months the policy was in force as extended term insurance during the parent policy year;

(d) Net amount of insurance (the amount of extended term insurance minus the pure endowment amount);

(e) Monthly dividend rate per \$1,000.

(2) The factors for determining the amount of dividends for the pure endowment are the:

(a) **Plan of insurance** (parent policy);

(b) Attained age of the insured; (dividend year minus the year of **issue of the parent** policy plus the age at issue of the parent policy).

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Change 13**

(c) Number of full months the policy was in force as extended term insurance during the parent policy year;

(d) Monthly dividend rate from the paid-up endowment table;

(3) To obtain the amount of dividend payable on the:

(a) Extended Term insurance. Multiply the monthly dividend rate by the number of full months the policy was in force as extended term insurance during tile parent policy year. The result, multiplied by the net amount of insurance in thousands, is the amount of dividend payable on the extended insurance.

(b) Pure Endowment. Multiply the monthly paid-up endowment dividend rate by the number of full months the policy was in force as extended term insurance during the parent policy year. The result, multiplied by the amount of pure endowment in thousands, is the amount of dividend payable on the pure endowment.

### **6.03 PROCESSING BY THE SYSTEM**

a. Dividends are authorized from the master record on policy callup code 606 and from pending transactions on callup code 626. Annual interest is added to dividend credit balances on callup code 401 and to dividend deposit balances on callup code 403. Selection dates for these computer-generated actions are shown in MP-6, part II, supplement No. 1.2, chapter 2.

b. When the callup date is reached, the system will authorize the dividend due and record a 606 or 626 transaction on the transaction history list. When the dividend is paid from the master record, the dividend year is updated if the dividend authorized matches the year in the master record as the next dividend due. When the dividend authorized does not match the year in flee master record as the next dividend due or when the dividend is authorized from a 626 pending transaction, the dividend year is not updated. However, an X is recorded in the paid dividend information field to indicate that history from the transaction history list is required. (See par.6.04 for updating paid dividend information.)

c. If the dividend option is cash, premium, deposit, paid-up additions or LOLI (Loan/Lien) and a lien is on tape the system will withhold an amount to pay a premium lien if one exists on the policy on which the dividend was earned or an overpayment lien if one exists on either of two policies. It will record the net amount of the dividend and an X in the paid dividend information field. An internal transaction type 311 is created on the amount withheld for payment of the lien. When that transaction is processed by the system, the lien segment is updated and a receipt is generated. When an off-tape indebtedness exists, the system establishes the dividend as a pending disbursement and generates an RPO with reason code 602.

d. Dividends are disposed of as indicated below:

(l) Cash Option. Transactions are entered on a disbursement tape unless the master record indicates that the insured is incompetent and no guardian has been appointed or that mail has been returned as undeliverable. When only the incompetency bit is on, the dividend is made pending. An RPO, reason code

605, is generated. When the return mail bit is on, the system establishes the dividend as a liability and generates an RPO, reason code 616.

(2) Premium Option. An internal transaction type 210 214, 218, or 219 is created for application of dividends to premiums. When the dividend is automatically applied, the system generates VA Form 29-5885, Information About Your Insurance.

(3) Credit or Deposit Option. The dividend together with interest on an existing dividend credit or deposit balance, is added to the dividend credit or deposit balance and VA Form 29-4459, Dividend Deposit/Credit Statement is generated.

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**(4) Indebtedness Option. An internal transaction type 312 is created if the dividend is to be credited to the loan or lien balance, and VA Form 29-1461, Payment Receipt, is generated when that transaction is processed. If the dividend is more than sufficient to pay the indebtedness, the part of the dividend remaining is created as a dividend credit and a VA Form 294459 is generated. The system will change the option to credit at the time the next dividend is authorized if all indebtednesses have been liquidated.**

**(5) Paid-up Additions Option. This option is available to NSLI (National Service Life Insurance) policies only. An internal transaction type 608 is created to apply the dividend as a single premium at the attained age of the insured to purchase paid-up additions. The paid-up additions are compatible with the basic policy; i.e., paid-up life additions on life policies including 5-LPT insurance and paid-up endowment additions that mature with the basic endowment policy. A VA Form 29-668, Statement of Paid-up Additions, is prepared and released to the insured by the computer system. It provides the previous amount of paid-up additions, amount of current dividend, the amount of paid-up additions purchased by the current dividend and the new amount(s) of paid-up additions.**

e. **The system also maintains dividend credit or deposit accounts. Interest is capitalized annually, immediately prior to adding the current year's dividend. If the dividend option is other than credit or deposit but there is a dividend credit or deposit balance, interest is capitalized on policy callup 401 for dividend credit or 403 for dividend deposit on the policy anniversary date plus I month. VA Form 294459 is generated to advise the insured of the addition of dividend and/or interest.**

f. **Withdrawal from credit or deposit accounts at the request of the insured for payment in cash, for application as premiums, or for payment of lien or loan indebtedness must be clerically initiated. However, the system will automatically withdraw amounts from dividend credit to prevent lapse provided there are no more than two policies. In such cases, the system will compute interest on the amount withdrawn, adjust the dividend credit balance, adjust the general ledger account, and generate a notice to the insured.**

g. **If the system encounters a condition which prevents it from completing an action or when programs -j indicate that clerical action is required, an RPO will be generated. The reason code will be in the 200, 300, 400 or 600 series, and the definitions of the codes are in MP-6, part II, supplement No. 1.4, chapter 1.**

#### 6.04 UPDATING PAID DIVIDEND INFORMATION

a. When **inserting** a new record of a **participating** policy on tape, **in addition to the input to insert the master or the new policy**, VA Form 29-395, Paid Dividend Input Card, or 29-8528, Paid Dividend/Dividend History, **is prepared to expand the master record to accept paid dividend information for 2 years. When a dividend is authorized, the system records paid dividend information in the current paid dividend information field and updates the dividend year for the next dividend due.** When the dividend for **that year is authorized, the system will** take the following actions:

- (1) **Update the dividend year in the next dividend due field.**
- (2) Delete information previously recorded in **the prior paid dividend information field.**
- (3) Transfer information **in the current paid dividend information field to the prior paid dividend information field.**
- (4) **Record the current transaction in the current paid dividend information field.**

b. **When dividends** are authorized in an orderly sequence, the RPO will **show 3 dividend years in descending sequence as shown** below:

- (1) The **year for which the next dividend is due in the dividend information field.**
- (2) The year for **which the last dividend was authorized in the current paid dividend information field.**

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Change 13**

- (3) The year for which the previous dividend was paid in the prior paid dividend field.

c. **The system will not process a VA Form 29-394, Dividend Transaction Input Card, or VA Form 29-8528, showing a dividend year higher than the year shown in the master record as the dividend year for which the next dividend is due. It will process a properly completed form if the dividend year on the authorizing document is the same as, or lower than, the year shown in the master record as the next dividend due. For example, the master record shows the next dividend due as 1(1971). The system will process a VA Form 29-394 or 29-8528 showing the dividend year as 1971,1970, etc. It will not process the authorizing document showing the dividend year as 1972, 1973, etc.**

d. When the dividend year on the authorizing document matches the dividend year in the master record as the next dividend due, the system will update the year the next dividend is due unless the authorizing document indicates the dividend being authorized is a supplemental dividend. It will also delete information previously

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recorded in the prior paid dividend information field, transfer information in the current paid dividend information field to the prior paid dividend information field, and record the current transaction in the current paid dividend information field. This may create the situation where there is a skip year in the paid dividend information; such as, the next dividend due is shown

as 1971, the current paid dividend information is for 1970, and the prior paid dividend information is for 1968.

e. When the dividend year on the authorizing document is between the dividend years in the paid dividend information fields, the system will record the processing day number in the transaction date field and an X in the history required field for current paid dividend information. Paid information is recorded only on the transaction history.

f. When a supplemental dividend is being authorized and the dividend year on the authorizing document matches the dividend year in the current or prior paid dividend information field, **the** system will:

(1) Record the transaction in the area affected by adding the supplemental dividend and the number of months involved to information previously recorded.

(2) Record an X in the history required field and update the transaction date in the current paid dividend information field and also in the prior paid dividend information field, if that area is affected.

g. When the dividend year on the authorizing document is prior to the earliest dividend recorded in the master record, processing by the system is as indicated below:

(1) Where both the current and prior paid dividend information fields are blank, the system will record the current transaction in the current paid dividend information field regardless of the dividend year involved.

(2) Where only the prior paid dividend information field is blank that field provided the dividend year is year lower than the dividend year in the current paid dividend field. It will also update the transaction date and history fields in the current paid dividend information field.

(3) When neither the current nor prior paid dividend information field is blank, the paid information for an earlier year is recorded only on the transaction history. The transaction date and history required fields in the current paid dividend information field are updated to provide a history trail.

h. When the dividend is for an inactive account which is not on tape and there is an active account on tape for the same insured, the system will record paid dividend information only on the transaction history. It will also update both the history required and transaction date blocks in the current paid dividend information field of the policy having the lowest last three digits, provided it is a participating policy. If **the** policy with the lowest last three digits is not a participating policy, the transaction will be rejected. In these cases the dividend will be authorized off-tape, and a copy of the VA Form 24-706, Notice of Refund, will be stamped Ready for File, signed, dated and will be filed in the insurance folder.

## **6.05 AUTHORIZING DIVIDENDS CLERICALLY**

a. Dividends for the current year or the year immediately preceding the current year are usually authorized by the system. Dividends for earlier than last year must always be clerically calculated.

b. VA Form 29-394 or 29-8528 is used to manually authorize a dividend, insert a pending dividend transaction for immediate payment or for payment at a future date, or reverse all or part of a prior paid dividend. These input documents must be sent to the

Voucher Audit Unit for assignment of a T batch number. Transaction type 646 is excluded from the T batch number control.

c. Before authorizing a dividend for a prior year, a review will be made to insure that the dividend in question was earned. A search will also be made for paid dividend information. If it is determined that the dividend is due,

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**Change 3**

**August 31, 1971**

the dividend rate will be obtained **from** the appropriate table. If more than 1 year's dividend **is involved** which requires the use of the same dividend control account number, only one VA Form 29-394 or 29-8528 is required. The VA Form 29-394 or 29-8528 will be used only for accounting actions within the system. If there is an indebtedness to be deducted from the amount payable and **the** indebtedness is on **the** master record, a VA Form 29-5894a, Optional Segment Input, or 29-8525, Dividend/Loan/Lien, will be required to update the lien segment and take accounting action. If the indebtedness is off-tape, the procedure for processing off-tape indebtedness is applicable. If only part of the dividend was required to pay the indebtedness, the remainder of the dividend will be disposed of under the option of record.

d. Where the option is cash, a VA Form 29-5895a, Pending Transaction Input, or 29-8526, Pending Transaction, will be prepared to insert the amount to be refunded as a 609/609 pending disbursement.

e. If the prior year dividend being authorized **is** for 1952 or later and was earned under the credit or deposit option, interest is due and payable. Interest year factors for dividends for prior years are in figure 6.01. VA Form 29-5894a or 29-8525, transaction type 084, will **be** prepared to update the credit or deposit segment and adjust interest.

f. When it is necessary to insert multiple VA Forms 29-394 or 29-8528 to authorize current, supplemental, and/or prior year unpaid dividends simultaneously, it is often necessary to control the sequence of the input cards. Before determining whether or not it **is necessary** to control sequence on a given case, review the actions the system will take in paragraph 6.04 of this manual.

g. Where there is no master record on tape, VA Form 29-394 or 29-8528 will be (prepared and forwarded to **the** Voucher Audit Unit for vouchering off-tape.)

h. After preparation of the input documents, they and related material will **be sent to** Voucher Audit Unit for **review**.

## **6.06 INDEBTEDNESS OFFSET**

a. Overpayment liens are deductible from dividends due on any of the insured's contracts without his consent and premium liens are deductible from dividend on the policy on which the indebtedness exists without the **insured's** consent. Where the dividend **option is cash, premium,** or deposit, offset action is taken at **the time the** dividend is authorized. Where the dividend option is credit, action is not taken to offset an indebtedness unless the insured requests a withdrawal from the dividend credit balance. If an **insured** requests withdrawal from **dividend** credit or deposit balances from which an indebtedness will be collected, he will be given an opportunity to withdraw his request.

b. The system **is not** programed to collect an overpayment lien from dividends when there are more than two **policies, or if** the other indebtedness bit is on. It is programed to authorize the dividend **as** a pending disbursement with a 609 transaction type and 970 callup, debit the proper dividend account and credit 16, unapplied collection-offset account.

c. Clerical action **is** required to complete the transaction. If the lien is interest-bearing, interest must be manually calculated. If **the** lien is off-tape, it will also be necessary to determine if the indebtedness can be deducted from the dividend without the consent of the insured. (M29-1, pt. I, ch. 9)

d. If all or part of **the** dividend is required to offset an on-tape indebtedness, the following forms will be prepared:

(1) VA Form 29-5895a or 29-8525, transaction type 098, to delete the pending transaction.

(2) VA Form 29-5894a or 29-8525, transaction type 086, to update the lien segment.

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**(3) VA Form 29-1461.** Include the message that the lien payment amount was deducted from the dividend payable.

e. When only a part of the dividend is required to pay the lien, the remainder will be disposed of under the option of record and the insured notified. If that amount is less than \$1 and the option is cash, credit it to the premium segment as an overage instead of initiating disbursement.

f. If all or part of the dividend is required to offset an off-tape indebtedness, follow the current procedure for processing an off-tape indebtedness.

#### **6.07 INVALID OR MISSING DATA**

The dividend may appear as a pending dividend transaction with transaction type 626. When the dividend has not been paid because of invalid or missing data in the pending transaction, VA Form 29-5895a or 29-8526 will be prepared to delete the erroneous transaction and insert a correct one with transaction type 626. When the system calculates and disburses the pending dividend transaction, it will update the paid dividend information.

#### **6.08 ERRONEOUS DIVIDEND INFORMATION**

a. When the dividend has not been paid because of erroneous dividend information in the master record, VA Form 29-5892a, Policy Input [Card], or 29-8522 (Doc 02), Policy, transaction type 082, will be prepared to insert the correct information. These forms are also prepared when it is necessary to clerically [ ] adjust the months not paid for dividend purposes, or update the dividend year on the master record. It may also be required to correct policy information which may be causing a policy freeze.

*[NOTE: The system will enter dividend rates whenever necessary. In those rate cases for which a system rate is not available (RC 670), the rate will be clerically inserted with a 3T batch and forwarded to the Voucher Audit activity for review.]*

b. Daunting the dividend year will cause the system to process the dividend due the year immediately preceding the current year's dividend. However, daunting is restricted to those cases in which the dividend year has been

erroneously updated and requires a VA Form 29-5892a or 29-8522, together with a memorandum stating the reason for daunting. The input and memorandum will be sent to the Voucher Audit activity for review.

**6.09 DIVIDENDS ON LAPSED ACCOUNTS**

a. When the dividend option is cash on a how paid 1 (excluding death cases) or a how paid 4 account, the system will authorize the dividend under that option regardless of the number of policies. When the dividend option is premium, credit or deposit, the system disposes of the dividends as indicated below:

<b>(1)</b>	<b>How Paid 1</b>	<b>Single Policy Cases</b>	<b>Multiple Policy Cases</b>
	<b>Option</b>		
	Premium	Pay as cash	Pending disbursement, 970 callup
	Credit	Pay as cash	Pending disbursement, 970 callup
	Deposit	Pay as cash	Pay as cash. Edit not made for other policies.
<b>(2)</b>	<b>How Paid 4</b>	<b>Single Policy Cases</b>	<b>Multiple Policy Cases</b>
	<b>Option</b>		
	Premium	Pay as cash	Authorize as PL 36
	Credit	Pay as cash	Authorize as PL 36
	Deposit	Pay as cash	Pay as cash. Edit not made for other policies.

**M29-1, Part II February 13, 1979**

**Change 15**

- b. On term policies, the number of months for which a dividend is not due is inserted in the master record (effective August 24, 1966).
- c. The dividend option on a lapsed account is not changed by the system, and clerical action should not be taken to change the option without a valid request. An RPO will be generated if the number of months for which a dividend is due if final lapse time exceeds 11. In such cases, examine the dividend year and dividend months not paid to determine the actual error condition. If it is necessary to adjust the number of months not paid for dividend purposes, prepare VA Form 29-5892a or 29-8522, transaction type 082. If the dividend condition is correct, take final lapse action clerically.
- d. When a dividend on a how paid 1 account is authorized as a pending disbursement because there are other policies, the following action will be taken:
  - (1) Transfer the amount to an active account as a dividend credit if the dividend option is credit and release VA Form 29-4459.
  - (2) Refund any amount due after deducting an indebtedness eligible for setoff by the payment of dividend if the dividend option is premium.
- e. When a dividend on a how paid 4 account is authorized as dividend credit because there are other policies, retain the credit as long as dividends are payable. If the policy matures or is surrendered for cash, the credit will be included in any amount payable. When the extended term insurance expires, transfer the credit to any other active account of the insured's as dividend credit or refund it if there are no policies in force.

f. The loan/lien option applies to indebtedness on any of the insured's contracts unless he or she has specified otherwise. If the master record indicates that no indebtedness exists, the system will authorize the dividend as a dividend credit and change the option accordingly.

#### **6.10 DIVIDEND ACTIONS INVOLVING INCOMPETENT INSURED**

a. The system will automatically disburse payments under the cash option to the legal guardian of an incompetent policyholder if the amount is less than \$350 and it is not a Philippine fiduciary account. An RPO with reason code 672 will be generated for clerical preparation of VA Form 29-504, Notice of Payment Due Incompetent Veteran.

b. The system will establish the dividend as a pending disbursement and generate an RPO with reason code 603 on Philippine fiduciary accounts and on amounts of \$350 or more.

(1) If the account is a Philippine fiduciary account, prepare VA Form 29-5895a or 29-8525, transaction type 098, to delete the pending disbursement, and prepare a VA Form 4-706 to initiate the refund to the fiduciary in care of the Veterans Services Officer, Manila regional office.

(2) When the amount of the dividend is 350 or more, examine the insurance folder to determine if a current certificate of guardianship (within 6 months) is of record. If not, prepare VA Form 29-505, Request for Information, to the Veterans Services Officer of the appropriate regional office requesting current certification. If

J a current certificate is of record or is received, initiate off tape refund.

c. A dividend transaction will be rejected (reason code 604) or a dividend authorized and made pending (reason code 605) if the master record indicates that the insured is incompetent, but does not show that a guardian has been appointed. VA Form 29-505 will be prepared and released to the Veterans Services Officer of the appropriate regional office, and VA Form 29-5895a or 29-8526 will be prepared to insert a 90-day diary with the message 505.

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M29-1, Part II  
Advance Manual Change No. 3-84

September 14, 1984

#### Chapter 6 - Dividends

A. Change: M29-1, Part II, Chapter 6. This Advance Manual Change should clarify the use of the Video Display Terminals (VDT) when there is a refund of \$350 or more due an incompetent veteran.

B. Procedure: Page 6-8, delete subparagraphs 6.10b(2) and 6.10c in their entirety and insert the following:

(2) When the amount of refund is \$350 or more, examine the insurance folder to determine if a current certificate of guardianship (within six months) is of record. If not, obtain a MINQ printout from the VDT. If the printout does not provide the necessary information, prepare and release a VA Form 29-505 to the

Veterans Services Officer of the appropriate Regional Office. A VA Form 29-5895a or 29-8526 will be prepared to insert a 90-day diary with the message 505, if necessary. If a current certification is of record, or is received, initiate an off-tape refund.

c. A dividend transaction will be rejected (reason code 604) or a dividend authorized and made pending (reason code 605) if the master record indicates that the insured is incompetent, but does not show that a guardian has been appointed. A MINQ printout will be obtained from the VDT. If the printout does not provide the necessary information, prepare and release a VA Form 29-505 to the Veterans Services Officer of the appropriate Regional Office. A VA Form 29-5895a or 29-8526 will be prepared to insert a 90-day diary with the message 505, if necessary.

C. New or Revised  
Insurance Forms: None

ROBERT W. CAREY  
Assistant Director for Insurance

DISTRIBUTION:

335/29	92
310/290	51
310/291	111
310/Library	1
203/SDA	2
CO/311D	2

**M29-1, Part II**  
**Advance Manual Change No. 7-83**

~~~~~ 27, 1983

**Chapter 6 - Dividends**

- A. **Change:** M29-1, Part II, Chapter 6.
- B. **Procedure:** Delete paragraph 6.11a in its entirety and substitute the following:
- a. The system will generate an RPO for clerical action if it encounters a condition which prevents it from calculating interest. When withdrawals are made from dividend credit or deposit accounts clerically for payment to the insured, it will be necessary to clerically calculate interest on the amount withdrawn from the prior policy anniversary date to the date the withdrawal is processed. The postmark date will be the transaction date on withdrawals for payment of premiums or loan/lien indebtedness. When computing interest for less than a full policy year, daily interest factors based on the annual interest rate will be use(L

(1) The 1982 interest rates were as follows:

a

- (a) USGLI ("K" prefixed policies) - 7% per annum.
- (b) NSLI ("V" prefixed policies) 7 3/4% per annum.
- (c) "RS and W" prefixed policies 7% per annum.
- (d) "J, JR, JS" prefixed policies - 8% per annum.

(2) The 1983 interest rates are as follows:

- (a) USGLI ("K" prefixed policies) - 7% per annum.
- (b) NSLI ("V" prefixed policies) - 8% per annum.
- (c) "RS and W" prefixed policies - 7 1/4% per annum.
- (d) "J, JR, JS" prefixed policies - 8 1/2% per annum.

**NOTE:** The daily interest factors for the above policies effective January 1, 1983 are in figures 6.13, 6.14, 6.17 and 6.18.

C. New or Revised  
**Insurance Forms:** None

ROBERT W. CAREY  
Assistant Director for In Insurance

**DISTRIBUTION:**

|         |     |
|---------|-----|
| 335/29  | 80  |
| 310/290 | 55  |
| 310/291 | 200 |

M29-1, Part II

Advance Manual Change No. 12n4

November 1, 1984

**Chapter 6 - Dividends**

A. **Change:** M29-1, Part II, Chapter 6.

B. **Procedure:** Delete paragraph 6.11a in its entirety and substitute the following:

- a. The system will generate an RPO for clerical action if it encounters a condition which prevents it from calculating interest. When withdrawals are made from dividend credit or deposit accounts clerically for payment to the insured, it will be necessary to clerically calculate interest on the amount withdrawn from the prior policy anniversary date to the date the withdrawal is processed. The postmark date will be the transaction date on withdrawals for payment of premiums or loan/lien indebtedness. When computing interest for less than a full policy year, daily interest factors based on the annual interest rate will be used

(I) The 1984 interest rates were as follows:



interest for less than a full policy year, daily interest factors based on the annual interest rate will be used.

(1) The 1985 interest rates were as follows:

|            |     |                               |         |            |
|------------|-----|-------------------------------|---------|------------|
| a<br><br>W | (a) | USGLI ("K" prefixed policies) | - 7%    | per annum. |
|            | (b) | NSLI ("V" prefixed policies)  | - 9.00% | per annum. |
|            | (c) | "RS and W" prefixed policies  | - 8.25% | per annum. |
|            | (d) | "J, JR, JS" prefixed policies | - 9.50% | per annum. |

(2) The 1986 interest rates are as follows:

|     |                               |         |            |
|-----|-------------------------------|---------|------------|
| (a) | USGLI ("K" prefixed policies) | - 7%    | per annum. |
| (b) | NSLI ("V" prefixed policies)  | - 9.25% | per annum. |
| (c) | "RS and W- prefixed policies  | - 8.75% | per annum. |
| (d) | "J, JR, JS" prefixed policies | - 9.75% | per annum. |

NOTE: The daily interest factors for the above policies effective January 1, 1986, are in figures 6.13, 6.18a, 6.19a, and 6.21.

C. New or Revised  
Insurance Forms: None

F. KO N  
Assistant Director for Insurance

DISTRIBUTION:

|             |            |
|-------------|------------|
| 335/29      | 92         |
| 310/290     | 51         |
| 310/291     | <b>111</b> |
| 310/Library | 1          |
| 203/SDA     | 2          |
| C0/311D     | 2          |

May 12, 1980

M29-1, Part 11  
Change 16

- d. The Veterans Services **Officer will furnish** the forwarding office a certification of a fiduciary, if appropriate; otherwise, his or her recommendation that appointment of a fiduciary is not in order. Upon receipt of **the** Veterans Services Officer's  
4 certification or report, appropriate award action will be taken. If authority is not granted, action **will** be taken **to** delete the pending disbursement and establish a liability record.
- e. An **RPO**, reason code 471, will be generated and a request for withdrawal from a dividend credit or deposit balance will be rejected if the insured is incompetent. **If** the request is from a legal guardian or the request is a valid one, prepare VA Form 29-5894a or 29-8525 to adjust the dividend credit or deposit balance and VA **Form 4-706 to** initiate an off-tape refund.

## 6.11 ACTIONS INVOLVING INTEREST CALCULATION AND ADJUSTMENTS

a. The system will generate an **RPO** for clerical action if it encounters a condition which prevents it from calculating interest. When withdrawals are made from dividend credit or deposit accounts clerically for payment to the insured, it will be necessary to clerically calculate interest on the amount withdrawn from the prior policy anniversary date **to** the date the withdrawal is processed. The postmark date will be the transaction date on withdrawals for payment of premiums or loan/lien indebtedness. When computing interest for less than a full policy year, daily interest factors based on the annual interest rate will be used. The current interest rate is [5 3/4] percent per annum on **USGLI** [and NSLI dividends. The daily interest factors for **USGLI** and NSLI dividends are in figure 6.09].

**b Computing accumulated interest or adjusting interest.** After determining that interest has been added through the latest interest year, proceed as indicated below:

(1) Convert the transaction date (month and day) for a withdrawal or adjustment of dividend interest into the corresponding day number.

(2) Determine the day number of the latest policy anniversary date (month and day) to which interest on the dividend credit or deposit has been calculated and subtract from the day number.

(3) Compare the year of the transaction date with the policy anniversary year to which interest on the dividend credit or deposit has been calculated. The interest adjustment will be made as follows:

(a) If the years are equal, proceed to subparagraph (4) below.

(b) If the year of the transaction date is later than the year of the policy anniversary date, add 365 to the day number of the transactions date (see subpar. (1) above) and proceed to subparagraph (4) below.

(c) If the policy anniversary year (see subpar. (2) above) is later than the year of the transaction date, add 365 to the day number of the policy anniversary date.

(4) Subtract the day number, minus one, of the policy anniversary date from the day number of the transaction date.

|                                       |                  |
|---------------------------------------|------------------|
| <b>Day No. of Transaction</b>         | +XXX             |
| Day No. -1 of Policy Anniversary Date | -XXX             |
| (plus) + or (minus) -                 | XXX Elapsed Days |

*NOTE:* If the elapsed days is a plus figure, accumulated interest is due the dividend credit or deposit account. If the elapsed days is a minus figure, the excess interest must be reversed and removed from the account.

(5) Obtain the interest factor from the appropriate Daily Interest Factor Chart corresponding to the number of elapsed days obtained in subparagraph (4) above.

- (6) Multiply the amount of dividend credit or deposit being used to pay premiums by the daily interest factor for the number of elapsed days. This result **will** be rounded to the nearest cent. The result will be:

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(a) Accumulated interest if the elapsed **days** figure was plus.

(b) Interest adjustment if the elapsed days figure was minus.

**Example A:**

|                                                  |            |         |
|--------------------------------------------------|------------|---------|
| FV 9876543                                       | V 9876543  |         |
| <b>Requested</b> Withdrawal (Transaction Amount) |            | \$37.65 |
| Postmark Date of Request                         |            |         |
| (Transaction Date March 11, 1970                 |            |         |
| Dividend Credit-Policy Anniversary Date          | October 17 |         |
| Dividend Credit Interest Year                    | 69         |         |
| Dividend Credit Balance                          | \$87.24    |         |
| Present Amount of Accumulated Interest           | \$ 0.00    |         |

**Answer:**

Transaction Date (March 11) is DN (day number) 70

Anniversary Date - 1 (October 17-1) is DN 289

Transaction Year (70) Later Than Policy Anniversary Interest Year (69)

|                             |            |
|-----------------------------|------------|
| Day No. of Transaction Date | 70         |
| Plus                        | <u>365</u> |
| Augmented DN                | 435        |

Transaction Date (Augmented DN) 435  
Policy Ann. Date (DN)

Elapsed **Days** **146**  
Interest Factor for 146 Elapsed Days is 0160

\$37.65 (Transaction Amount X .0160 (Elapsed Days Interest Factor)) is .602. This amount will be rounded **by** adding 1 cent to the result if the figure in the third place after the decimal is 5 or higher.

|                                |                                      |
|--------------------------------|--------------------------------------|
| \$87.24 Dividend Balance       | \$0.00 Old Accumulated Interest      |
| <u>37.65</u> Withdrawal Amount | <u>0.60</u> New Accumulated Interest |

\$49.59 New Balance                      \$0.60 Total Accumulated Interest

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**Example B:**

Facts: Addition of Annual Interest

FV 9876543

V 9876543

|                                         |            |
|-----------------------------------------|------------|
| Annual Interest Addition Due            | 1970       |
| Dividend Credit-Policy Anniversary Date | October 17 |
| Old Dividend Credit Interest Year       | 69         |
| dividend Credit Balance                 | \$49.59    |
| Present Amount of Accumulated Interest  | \$ 0.60    |

\$49.59 (Dividend Credit Balance) X 4% (Annual Interest Rate) Plus \$0.60 (Accumulated Interest) is \$2.58

(Annual Interest)

\$49.59  
x .04

\$1.983  
+0.60

\$1.9836

\$2.583 This amount will be rounded.

\$49.59 Old Balance  
+2.58 Interest

\$52.17 New Balance

\$0.00 New Accumulated Interest

**Example C:**

Facts: Request for Withdrawal by Insured Resulting in Interest Reversal

|                                             |           |
|---------------------------------------------|-----------|
| Request Withdrawal (Transaction Amount)     | \$25.00   |
| Postmark Date of Request (Transaction Date) | 12-28-69  |
| Dividend Credit-Policy Anniversary Date     | January 3 |
| Dividend Credit Interest Year               | 70        |
| Dividend Credit Balance                     | \$94.17   |

Present Amount of Accumulated Interest \$ 0.00

**Answer:**

Transaction Date, December 28, is DN 362

Policy Anniversary Date January 3-I is 002

Policy Anniversary Year (70) is later than Transaction Year (69)

Policy Anniversary Year Day Number 002 plus 365 is 367

DN of Transaction Date 362

Augmented Policy Anniversary DN 367

.5 Elapsed Days for Interest Adjustment  
(Reversal)

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**4% Interest Factor for 5 days is .0005**

\$25.00 (Transaction Amount) X .0005 (Elapsed Days Factor) Equals .012 or .01 cent

|                                 |                                |
|---------------------------------|--------------------------------|
| \$25.00 Amount of Withdrawal    | \$94.17 Old Balance            |
| <u>+.01</u> Interest Adjustment | <u>-25.01</u> Withdrawal Total |
| \$25.01 Total <b>Withdrawal</b> | \$69.16 New Balance            |

*b*

c. When the **month and day in the dividend** segment do not **agree with** the policy effective **date**, the **first step is** to determine **if interest was due and not added at** the time of the contract **change**. If this is the **case**, it will be necessary to examine the **account** to determine **if any dividend credits were withdrawn since the contract change**. (They **must be added to the current dividend balance in making** the interest adjustment.)

(l) To determine if interest **is** to be **added or subtracted**, **compare** the policy effective date with the interest through date.

(a) **If** the interest through **date is** earlier than the **new policy** effective date, the difference between the 2 dates **represents the number of months for which interest is due**, e.g.,

616 **month number** for policy effective **date**

615 **month number for interest** through date

**1 month** for **which** interest is due.

(b) If the interest through date is later than the new policy effective date, the difference between the 2 dates

represents the number of months for which interest should be reversed; e.g., .

616 month number for interest through date

615 month number for policy effective date

1 month for which interest must be reversed.

(2) To compute the amount of interest:

(a) Select factor for number of months interest must be added or reversed.

(b) Multiply dividend credit balance existing on effective date of contract change by that factor. The result is the amount of interest to be added or reversed.

L (3) To make an interest adjustment or to correct the interest through date on the master record, prepare VA

Form 29-5894a or 29-8525 (transaction type 084). The amount in the control fields will be the amount of interest being added or reversed or zeros when the amount of interest is less than 1 cent (no interest adjustment). The appropriate control accounts are listed below:

Columns

Interest Addition or

| Reversal | VA Form  | VA Form | No Interest Adjustment | Interest  |
|----------|----------|---------|------------------------|-----------|
|          | 29-5894a | 29-8525 |                        |           |
|          | 54-55    | PRIN.   | Debit 39               | Debit 11  |
|          | 57-58    | PRIN.   | Credit 11              | Credit 39 |
|          | 6667     | INT.    | Debit 40               | Debit 39  |
|          | 69-70    | INT.    | Credit 39              | Credit 40 |

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d. The transaction date in the pending dividend transaction (transaction type 400 or 402) is different from the interest through date in the dividend credit/deposit segment; or different from the last anniversary date of the policy.

(1) The pending transaction must be deleted from the pending transaction area and added to the dividend credit or deposit segment. If the pending dividend should have been part of the dividend credit or deposit segment at the time the last dividend was authorized, an interest adjustment is required. An interest adjustment is not required if the pending dividend has a transaction date which is within the current dividend year.

(a) **Example:** The transaction date in the pending dividend is June 1, 1970. The effective date of the policy is December 1. A dividend will not be due until December 1, 1970. The interest year for the dividend segment must be 1969. An interest adjustment is not necessary if the pending transaction is added to the dividend credit/deposit segment before the 1970 dividend is authorized.

(b) **Example:** The transaction date in the pending transaction is June 1, 1969, and the effective date of the current policy is January 1. The 1970 dividend has been authorized, and the interest year is 1970. If the pending transaction had been processed in June 1969, the amount of that transaction would have been part of the dividend segment on January 1, 1970. As part of that segment, it would have been entitled to annual interest on January 1, 1970. An interest adjustment is required if the pending transaction is added to the dividend credit/deposit segment after January 1, 1970.

(2) To compute the interest, multiply the amount of the pending dividend transaction by the appropriate interest factor. Four percent per annum daily interest factors are in figure 6.02 and 4% percent per annum daily interest factors are in figure 6.03.

(3) To update the master record, prepare VA Form 29-5894a or 29-8525. Use transaction type 084 if a dividend credit/deposit segment is a part of the current policy. Use transaction type 004 if a segment must be created. The amount in the control field will be the difference between the balance shown on the RPO and the amount shown in the pending transaction plus the dividend balance on the RPO; plus interest calculated, if any. The appropriate control accounts are 39 and 11. If interest is being added, debit 40 and credit 39 for the amount of interest involved.

(4) VA Form 29-5895a or 29-8525, transaction type 098, must also be prepared to delete the pending dividend transaction. The control accounts will be a debit to 17 and a credit to 39.

## 6.12 PROCESSING REQUESTS FOR WITHDRAWAL FROM DIVIDEND CREDIT/DEPOSIT BALANCES

a. **Determining Validity of Request.** Requests for withdrawal from dividend credit or deposit balances will be delivered to the Policy Service [Technician] for processing. If an insured requests that a check be mailed to an address other than the address of record, the signature on the request will be compared with the insured's signature on records in the insurance folder. When it is apparent that the signature is not the insured's, he or she will be requested to verify the instructions. FL 29-637 will be used to return unsigned requests or requests from a third party. Requests from incompetent insureds or requests from custodian or [spouse]-payee of an incompetent insured will be denied unless one of the conditions listed below exists:

(1) **Incompetent Insured.** A legal guardian has not been appointed, the insured is hospitalized in a VA [medical center], and the request for withdrawal is accompanied by a physician's statement that the insured has the mental capacity to understand the significance of the request. The check will be made payable to the Director of the [VA medical center] as custodian. When a need for money is indicated and the [medical center] physician is unable to certify that the insured would understand the significance of his or her request, the insurance folder, a current RPO, and a statement of facts, including the reason for the withdrawal, will be sent to the Chief, Insurance Program Management Division (290), VA Center, Philadelphia.

(2) **Custodian or [Spouse]-Payee. Authority has** been received from **the** Chief, Insurance Operations Division, to make **the** withdrawal as a hardship case.

(3) **Attorney-In-Fact.** If an individual holding a general power of attorney presents it for withdrawal of dividend credit or deposit amount, **the individual** will be advised that specific power of attorney must be **submitted** for **that** purpose and **that the** power of attorney **must** specify the particular policy from which **the** refund is to be made.

b. **Determining if Request for Withdrawal is Timely.** If an **insured** requests a cash withdrawal of dividend on deposit, determine if premiums are paid through the month **in which the** refund will be made. If the request for withdrawal is postmarked more than 61 days after the premium due date of an unpaid premium, advise the insured **that reinstatement requirements** must be **met** before a refund can be made. If **the** request for withdrawal is postmarked within 61 days, advise **the** insured **that it** was necessary to withhold premiums from the amount being refunded through the premium month in which **the** refund is being made. Also, advise the insured that the account will be adjusted to show the status which existed prior to the refund if the check is returned within 15 days from the date of the letter.

c. **Preparation of Input Documents.** When a [VA Form 29-432(S) or (P), Disposition of Dividends, VA Form 29-4459, Dividend Deposit/Credit Statement, or correspondence from a competent insured] is determined to be **in** order, **the** appropriate **input** documents will be prepared to accomplish the transactions. [The request will be annotated showing the action taken, initialed, dated and marked for disposal with a large red "D." The request will **not be** filed in **the insurance** folder.] The input documents will be released for processing by the system. If the check is to be mailed to an address other than an address [for insurance purposes,] the insurance folder with the request and prepared input [documents] will be **sent to the** Voucher Audit activity for review. [The request will be filed in **the insurance** folder. Request from an insured's attorney-in-fact, custodian, spousepayee or legal guardian will continue to be filed in the insurance folder after **the** appropriate input documents and forms have been completed and reviewed by the Voucher **Audit activity.** The request will be stamped "Ready For File," initialed and dated.]

*NOTE:* [In] all cases [in which] the request is from the legal guardian of an incompetent veteran, the request *will* be sent with the insurance folder to the Voucher Audit activity *for* review.

d. **Adjusting Interest.** When it is necessary to adjust interest before processing a withdrawal request, VA Form 29-5894a or 29-8525 will be prepared. Transaction type 086 will be used to update the lien segment and/or **transaction type** 084 to update **the** dividend credit/deposit segment.

e. **Initiating Withdrawal Action by the System.** A VA Form 29-8521, Disbursements, may be used to initiate action on a request for full or partial withdrawal. The form may be used on requests for withdrawal for payment in cash, for application as premiums, or for payment of lien or loan indebtedness. Liens will be collected from amounts to be refunded or applied as premiums **at the** request of **the** insured. The insured will be advised of this and allowed 15 days to withdraw **the request** for withdrawal in cash or to pay premiums.

f. **Processing-by the System.** When the system processes a withdrawal from dividend credits and **the premium** for the current month has not been paid, **the** system will **withdraw** an amount to pay **the premium due** prior to making the refund. If credits are insufficient to pay **the** premium, an RPO will be generated for preparation of a letter to the insured. When the system processes a withdrawal, **it** generates VA Form 29-4459. It will also generate VA Form 29-1461 or 29-1461a, Payment Receipt DFB, **if** all or part of the withdrawal is automatically applied to a loan or lien indebtedness. If clerical action is required, an RPO will be generated.

g. **Processing Withdrawal Action Clerically.** When **it is** necessary to clerically withdraw an amount from the dividend credit/deposit segment, prepare VA Form 29-5894a or 29-8525 to-adjust the dividend credit or deposit balance. **Prepare** the appropriate forms to dispose of **the** amount withdrawn. VA Forms 29-4459 and 29-1461 or 29-1461a, if appropriate, will also be prepared. One or more of the following input documents will be required:

(I) To update the premium segment, VA Form 29-5893a, Premium Input Card [-ADP], or VA Form 29-8523, Premium/TDIP, transaction type 083, will be prepared.

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May 12, 1980

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(2) To update the TIDP segment, VA Form 29-5894b, TDIP Input Card Only, or VA Form 29-8531, TDIP, transaction type 087, will be prepared.

(3) To update the lien segment, VA Form 29-5894a or 29-8525, transaction type 086, **will be** prepared.

(4) To update the loan segment, VA Form 29-5894a or 29-8525, transaction type 085, will be prepared.

(5) To delete the other indebtedness symbol from the master record, VA Form 29-5896a, Life Input Card or 29-8530, Life/Miscellaneous, transaction type 080, will be prepared.

(6) To insert the amount to be refunded as a pending disbursement, VA Form 29-5895a or 29-8526, transaction type 008, will be prepared. If the refund is to be made off tape, prepare VA Form 4-706.

(7) When premiums are being paid by allotment from service or retired pay (how paid 6) or by deduction from VA benefits (how paid 3) and the insured requests withdrawal to be applied to pay premiums, a VA Form 29-5895a will be prepared to insert a 60-day diary with the message, DIVCR PAY PREM, and to freeze the record. Action will be taken to discontinue the allotment or deduction and to advise the insured of the action taken and of the status of the insurance account. If the insured requests withdrawal of part of the dividend credit or deposit to pay premiums and part to be refunded, a VA Form 29-8521 (Doc 01) will be prepared to refund the requested amount and a VA Form 29-5895a prepared for second-day release to insert the 60-day diary with the message, DIVCR PAY PREM, and to freeze the record. Action will be taken to discontinue the allotment or deduction and to advise the insured of the action taken and the status of the insurance account. The insured's request, in either case, will be noted as to the action taken and filed in the insurance folder with a copy of our letter to the insured. When an RPO is received showing that the allotment or deduction has been discontinued, the original request of the insured will be examined and action taken to complete the request.

~ h. When a requested full withdrawal for cash or premium (including cash withdrawal amount that liquidates the balance)  
~ is made for a dividend credit or deposit account, the total amount of accumulated interest will be included in the withdrawal transaction amount. Total amount of accumulated interest includes accumulated interest prior to this transaction plus the amount given on the withdrawal amount that liquidated the principal balance.

i. **Expediting Refund of Dividend Credits and Dividends on Deposit.** Upon receipt of [a request] via FTS, regular procedures incident to processing refunds will be immediately effected. A chronological log will be maintained for control purposes pending receipt of the signed forms. As each form is received, the item appearing on the appropriate log will be checked **off** and the form will be released for filing in the insurance folder. Any items remaining unchecked after IS calendar days will require that an inquiry be addressed to the office of origin, to determine the reason for the delay. If a document appears to have been lost in transit, the applicant will be requested to sign and return a duplicate in an addressed franked envelope that will be supplied. If, for any reason, a refund cannot be processed, the applicant will be notified immediately. The letter will state the reason why the application was denied. A liberal use of airmail will be employed where determined necessary.

j. When it is necessary to reduce or delete a dividend credit or deposit [balance in the] amount of \$10,000 or more, [prepare two VA Forms 29-8525, transaction types 084. The first 084 transaction type must reduce the balance to under \$10,000. The second 084 transaction type must be coded second-day release to complete the transaction.]

(1) The letter will contain information as to the file number, amount of dividend and day number the input will be processed. A request will be made that the edit in run 140 be suspended for that transaction day number.

(2) All written communications with the DPC about insurance matters will be prepared for the signature of the Director.

### 6.13 DISPOSITION OF DIVIDEND CREDIT/DEPOSIT BALANCES

a. **Total and Permanent Disability.** Dividends held at credit or deposit on a USGLI total and permanent disability abeyance case will be refunded at the time the initial award is authorized. However, if the insured has another policy on a premium-paying basis, and has dividends held under the credit option, he or she will be given an opportunity to retain the

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dividend credit for **protection of the other policy. Refund of the dividend balance on an abeyance** case will be combined on the **bone** VA Form 4-706 with **any unearned** premiums to be disbursed.

**(b) Balances of Less Than \$1. When requests** are received from Insureds for refunds of dividend credit/deposit on active premium-paying **accounts and the amount to be disbursed is less than \$1, the system will reject** the action. An RPO, reason **code 463 or 464, is generated. An FL 29481 with the** following typed or overprinted statement, will be released clerically:

Your dividend credit (or deposit) balance is **only \$\_\_\_**. Because of **the expense involved in** disbursing **such a small amount, we think you will agree that** it should be left as a dividend credit (or deposit) to your account. If **you want this amount paid to you,** however, let us know, and we will send **you** a check.

*NOTE: When the initial request indicates the insured is aware that the balance is less than \$1, or if it is known that the insured was previously notified about our policy on refunds of less than \$1, the refund will be made off tape without delay. The master record must be adjusted accordingly.*

### 6.14 DISPOSITION OF DIVIDENDS UNDER THE PREMIUM OPTION

a. When the method of **paying premiums is changed** from **direct pay to DFB**, disability waiver, allotment or payroll **deduction and the** dividend option is premium, **change** the option to Public law 36. **An FL 29-658** will be prepared to advise **the insured of the action taken**.

b. When **the dividend** processed is the **last dividend which can be** applied to pay premiums on a limited payment life, the **system will change the** premium options to credit if there is no loan or lien indebtedness. If there is a loan or lien **indebtedness, the system will change** the option to the loan/lien option (LOLI) provided premiums have been paid to the end of the premium-paying period.

c. **If the system has not changed** the option and TDIP premiums are not payable beyond the premium-paying period of **the life contract, change** the option **clerically**. If a loan exists on **the policy, change** the option to loan/lien option provided premiums are paid to **the end of the premium-paying** period and there are no other policies on a premium-paying basis. If those conditions do **not** exist, **change the option** to the credit option. Prepare and release FL 29-685, or appropriate notice, if the option is changed clerically or by **the system**.

#### 6.15 DIVIDENDS WHEN AUTOMATIC SURRENDER IS PENDING

a. The system will **not authorize a** dividend if the **action** type is 3 or 4 and the dividend **option** is other than loan/lien. Instead, an RPO with reason code 694 **will** be generated. Determine if a dividend payment **is in** order. If so, advise the policyholder of the **pending** surrender and request permission to apply **the dividend against** the indebtedness and change the option accordingly. Prepare VA Form 29-5895a or 29-8526 to insert a 45-day diary **pending** a reply.

b. If the insured does not **grant** permission or does **not** reply **within 45** days, delete **the** pending diary and the policy freeze. Prepare VA Form **29-394** or 29-8528, transaction type 616, without control **accounts, to authorize** the dividend under the option of record.

c. **If the insured grants** permission to apply the dividend **but does not change the** option, authorize the dividend and apply it to reduce the loan. Lift the policy freeze and delete **the** diary.

d. If **the insured changes the option to loan/lien, change the** option in the master record, lift the freeze, and delete the diary.

#### 6.16 INQUIRIES CONCERNING CHECK INFORMATION ON DIVIDENDS

a. **When an insured claims nonreceipt** of a recently authorized dividend, prepare FL 29481 if that form letter is appropriate.

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**a** M29-1, Part 11  
Advance Manual Change No. 16-83

December 13, 1983

- A. **Change:** M29-1, Part 11, Chapter 6. This Advance Manual Change, in conjunction with Advance Manual Change 9-83 in M29-1, Part I, establishes a uniform procedure for processing Reason Code 276 RPO's, generated when a dividend authorized under the premium option exceeds the amount needed to pay a "W" term contract to the end of the protection period.
- B. **Procedure:** Page 6-16, paragraph 6:14, add the following as subparagraph d:
- d. When the dividend authorized on a "W" term policy is sufficient to pay beyond the end of the final term period, the dividend is made pending and a Reason Code 276 RPO is generated. Apply the dividend to pay premiums to the end of the protection period and refund the balance. Change the dividend option to cash and release a dictated letter notifying the insured of action taken.
- C. **New or Revised Insurance Forms:** None

**ROBERT W. CAR Y**  
**Assistant Director for Insurance**

**DISTRIBUTION:**

|             |     |
|-------------|-----|
| 335/29      | 80  |
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| 310/291     | 200 |
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| 244C        | 10  |

February 10, 1975

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b. If the insured has had sufficient time to receive the check since it was authorized and the claim is within 6 years from the date of issue, prepare VA FL 4-162 if the insured claims nonreceipt and VA FL 4-163 if he or she claims the check was lost. The form letters will be completed as outlined in paragraph 6.18.

c. If an insured returns VA FL 4-162 or 4-163 to the Treasury regional disbursing office and that office is unable to locate the check number, the form letter will be returned to the Insurance Division. In that event, review the paid dividend information to determine if correct information was furnished. After verifying or correcting the information, return the form letter through Voucher Audit to the regional disbursing office by VA Form 3230 stating that the information has been verified or corrected and request the item be searched again.

d. When an insured claims that he or she did not receive a check and a period of more than 6 years has lapsed since the check was issued, advise the insured that Section 2 of the Act of June 22, 1926, as amended by the Act of August 28, 1957, Public Law 85-183, 71 Stat. 465 (31 U.S.C. 122), provides:

"Hereafter all claims on account of any check, warrant, or warrants appearing from the records of the General Accounting Office or the Treasury Department to have been paid, shall be barred if not presented to the General Accounting Office or the Treasurer of the United States within six years after the date of issuance of the check, checks, warrant, or warrants involved."

e. If the inquiry concerned a 1948 special dividend, return the inquiry with a copy of VA Form 29-5785b, Reply to Dividend Inquiry.

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January 15,1971

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R •

#### 6.17 PAID DIVIDEND INFORMATION

a. 1948 Special Dividend. The 1948 special dividends were processed centrally until May 18, 1953. The main **microfilm** reels of paid dividend vouchers are maintained in the Philadelphia center. Listings of unpaid dividends as of June 1953 were made, and the microfilm reels of these listings are maintained in the Philadelphia or St. Paul centers. Notations on premium record cards which indicate that the dividend was authorized June 1953, or later, will be accepted as evidence of payment even though the dividend is included on the unpaid listing. The following documents filed in the insurance folders contain 1948 special dividend paid information:

(I) VA Form 94863, Paid Dividend Card, interpreted to show service number, check number, dividend amount, name of insured, district office code, file number prefix, and file number. A transfer posting impression of the address to which the check **was** sent

appears on the face of the card. The 1948 paid dividend legend and the date paid are endorsed on the reverse of the card.

(2) Green **file copy** of VA Form 9-1698, Statement of NSLI Special Dividend Account, explains how the dividend amount was arrived at where the check covered two or more policies, one or more reductions in insurance under one policy, or where indebtedness was deducted from the dividend. The form shows the amount of dividend for each policy at each face amount of insurance, amount of lien, shortage, or amount of any unauthorized payment of veterans benefits which was deducted; also, the code number of the office which reported the indebtedness, and the amount of the check (net dividend).

(3) VA Form 94864, Shortage or Lien Card, used in posting paid lien and shortage information to premium record cards, is interpreted to show district office code, name of insured, code 3 for shortage or code 4 for lien, amount of shortage or lien deducted, policy number, and file number.

(4) VA Form Letter 9~ II, a form letter mailed to applicants whose policies were ineligible for dividends because they have an effective date after December 31, 1947.

(5) VA Form Letter 9412, mailed to applicants whose policies were in force less than 3 months.

(6) VA Form Letter 9414, a form letter used in forfeiture cases.

(7) VA Form Letter 9417, a form letter used in cases where insurance was canceled as of its effective date.

(8) VA Form Letter 9418, a form letter used where the application for insurance was disapproved.

(9) VA Form **Letter** 9419, a form letter used where the dividend was applied to pay indebtedness.

(10) Dictated letters similar to the form letters mentioned in subparagraphs (4) through (9) above, used in comparable situations involving incompetency of the insured.

(11) Dictated letters in lieu of VA Form 9-1698 to inform insureds of the disposition of their dividends, or portions thereof, when indebtedness was withheld at the request of the Treasury or a department of the Armed Forces, or when deductions were made for **USGLI** indebtedness.

(12) VA Form 94841 (green punched card, used as an unpaid notice card, has a rubberstamp legend on the reverse, similar to the following: 1948 Special Dividend Paid: Scheduled on Voucher No. \_\_\_\_\_)

(13) VA Form 94841, used as a finance indebtedness summary card, representing amounts of finance indebtedness recovered **by** setoff from unpaid 1948 dividends of record in the Insurance Center, D.C., is identified on the reverse **by** the addressograph legend: 1948 Dividend in Amount Shown on This Card Has Been Applied Toward Payment Indebtedness. Offset Made for Regional Office and Appropriation Indicated in Upper Left Corner on Face of Card. In these cases, **only** the amount of dividend required or available for setoff has generally been disposed of. If the unpaid dividend exceeded the indebtedness, the remaining portion of the dividend is generally payable if the insured's address becomes known.

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(14) File copies of SF 1048, **Public Voucher for Refunds, initiated by field stations** of the Department of **Veterans** Benefits. These vouchers cover **refunds to insured** or to the **NSLI Fund, where** collections made from 1948 dividends exceeded the **total indebtedness** or where erroneously made **for other** reasons, or where **indebtedness was liquidated or reduced after** the original **report** was **submitted**. A **statement identifying the transaction as one involving a 1948 dividend** is shown in the Remarks portion of **the** voucher.

(15) VA Form 9416b, NSLI Dividend Work Sheet (1948-1951 Special Dividend), prepared subsequent to **May 18, 1953, in the field stations.**

**b.** 1951 Special Dividend. The **following documents filed in** the insurance folders **contain** 1951 special **dividend** paid information (1951 **dividends were processed** centrally until decentralized Sept. 3, 1952):

(1) VA Form 94912, Paid Dividend **Card, is interpreted to** show file number, policy number, **amount of check, amount of dividend, name of insured, district office code and check number.** The **indebtedness code** is also interpreted as follows:

| <u>Code</u> | <u>Type of Indebtedness</u>               |
|-------------|-------------------------------------------|
| 0           | <b>No indebtedness</b>                    |
| 1           | <b>Premium indebtedness</b>               |
| 2           | <b>Insurance overpayment indebtedness</b> |
| 3           | Finance indebtedness                      |
| 4           | <b>Combination of codes 1 and 2</b>       |
| 5           | <b>Combination of codes 1 and 3</b>       |
| 6           | <b>Combination of codes 2 and 3</b>       |
| 7           | <b>Combination of codes 1, 2 and 3</b>    |

A transfer posting impression **of the address to which the check was sent** appears **on** the face of the card. The 1951 dividend legend **and the** date paid are endorsed on the reverse of **the card.**

(2) VA Form 94919, Allotment Pay Accounts **Paid** Dividend Card, a punched **card** similar to VA Form 94912, used on inservice allotment accounts.

(3) **Yellow file copy of** VA Form 94340, Statement of Deductions-NSLI Dividend, an itemized statement prepared **when an indebtedness was collected from the dividend.**

(4) VA Form 94917, Indebtedness Collection Advice Card, a series of punched cards prepared for use in posting collected indebtedness information. A **green** form reflects collection of premium indebtedness; yellow, insurance overpayment **indebtedness; and salmon** reflects collection of finance **indebtedness.**

(5) VA Form Letter 9442, used where **the entire dividend was applied toward indebtedness.**

(6) File copies of refund vouchers initiated by field stations of the Department of **Veterans** Benefits, as described in subparagraph a(14) above.

(7) VA Form 9416b, NSLI **Dividend Work Sheet** (1948-1951 Special Dividend), prepared subsequent to September 30, 1952, in the field **stations**.

c. **On NSLI dividends**, the vouchering information on dividends paid between January 1, 1952, and June 30, 1955, is filed in the **insurance folder**. The vouchering information for the years beginning July 1, 1955, and ending in 1963 is on **microfilm**. **On USGLI, the vouchering information on dividends** paid through 1963 is on microfilm.

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d. Paid dividend information (check number, date of check, etc.) for the period 1952 through 1963 on NSLI and through 1963 on USGLI, is on tile in the Records Management Unit with the following exceptions which are on microfilm:

- (1) Voucher numbers in the 204,000 series (1961 accelerated dividends on certain policies).
- (2) Voucher numbers in the 20-6,000 series (1961 special dividends on certain policies).
- (3) Voucher numbers 20-2,000, 20-2,001 and 20-2,002 (1961 special dividends on certain W policies).
- (4) Voucher numbers ending in the letter d (beginning with day number 005, January 5, 1962).

e. Beginning with the 1964 dividend authorization, the paid dividend information became a part of the master record. A transaction history will be required for paid dividend information which does not appear on the master record. Check numbers on dividends disbursed by the computer must be obtained from the Treasury Department.

## 6.18 PREPARING FL ~162 or ~163

- a. Insert name, address and identifying information on the appropriate form.
- b. If the check number and date of check are not known, the form will be completed as outlined below:

### (1) **Check or Schedule No.(s)**

(a) Insert the processing day number the disbursement was made by the ADP system. With the exception of dividends paid on an accelerated basis, the date of a check is the workday after the processing day number shown on the master record or the transaction history print. The processing day numbers for dividends paid on an accelerated basis are shown in exhibits A and B.

(b) Insert a 22 (St. Paul) or 21 (Philadelphia) in front of the day number.

(c) Immediately below the processing day number, enter the appropriate group into which the check was sorted. If that group is domestic addresses with ZIP codes, include the ZIP code (i.e., Domestic 27870).

*NOTE: Prior to November 9, 1966, on NSLI; December, 1966, on VSDI; and January 3, 1967, on USGLI; tape disbursement items were filed in file number sequence. On and after those dates and through August 1, 1971, the*

disbursement tape records were separated into Three groups: Foreign addresses, domestic addresses without ZIP codes, and domestic addresses with ZIP codes. Within the foreign address and no ZIP code groups, the records are in file number order. Within the ZIP code group, the records are filed in ZIP code order and file number order within each ZIP code group. On and after August 2, 1971, the disbursement tape records were separated as follows: (1) All addresses without ZIP codes in file number sequence (includes domestic addresses without ZIP codes, foreign addresses with no consular code and FC999 cases); (2) foreign addresses with consular (country) codes in country code sequence and within country code in account number sequence, and (3) domestic addresses with ZIP codes in ZIP code sequence and within ZIP code in account number sequence. The Treasury Department microfilms the checks in the sequence as they appear on the disbursement tapes.

(2) **Station Number.** Enter 335 (St. Paul) or 310 (Philadelphia).

(3) **Amount.** Enter the amount of the check authorized.

(4) **Date of Issue.** Enter the workday (month, day and year) following the processing day number, or the appropriate date from exhibit A or B if dividend was paid on an accelerated basis.

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|                                                              |                                         |      |
|--------------------------------------------------------------|-----------------------------------------|------|
| (5)                                                          | <b>Symbol:</b> Enter appropriate symbol |      |
| <b>Period</b>                                                | <b>Symbol</b>                           |      |
| [Off-Tape or manual payments (February 1, 1975 Current Date  |                                         | 30]  |
| MI off-tape or manual payments [(prior to February 1, 1975)] |                                         | 3030 |
| January 1963-February 1964                                   | 3031                                    |      |
| March 1964-February 1966                                     | 3034                                    |      |
| March 1966-January 1968                                      | 3036                                    |      |
| February 1968-December 30, 1969                              | 3038                                    |      |
| December 31, 1969-April 18, 1971                             | 3041                                    |      |
| April 19, 1971-September 30, 1971                            | 3039                                    |      |
| October 1, 1971-September 18, 1972                           |                                         | 3043 |
| September 19, 1972 [August 31, 1973]                         |                                         | 3045 |
| [September 1, 1973-July 1, 1974                              | 3047                                    |      |
| July 2, 1974-May 19, 1975                                    | 3048                                    |      |
| May 20, 1975-Current Date                                    | 3050]                                   |      |

**PHILADELPHIA VA CENTER EXHIBIT A**

| Dividend Year | Day No.    | Year | Date of Issue |
|---------------|------------|------|---------------|
| 1963          | 356        | 2    | 1-2-63        |
|               | 357        | 2    | 1-2-63        |
|               | <b>005</b> | 3    | 1-11-63       |
| 1964          | 355        | 3    | 1-2-64        |
|               | 362        | 3    | 1-6-64        |
|               | 004        | 4    | 1-10-64       |

|                    |     |         |         |
|--------------------|-----|---------|---------|
| 1965               | 347 | 4       | 1-2-65  |
|                    | 354 | 4       | 1-2-65  |
|                    | 361 | 4       | 1-2-65  |
| 1967               | 035 | 7       | 2-10-67 |
|                    | 049 | 7       | 3-3-67  |
|                    | 063 | 7       | 3-10-67 |
|                    | 070 | 7       | 3-17-67 |
|                    | 077 | 7       | 3-24-67 |
| 1972               |     |         |         |
| February-June 050  | 2   | 2-24-72 |         |
| July-September 070 | 2   | 3-16-72 |         |
| October-December   | 077 | 2       | 3-23-72 |

**W**

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**ST. PAUL VA CENTER**

**EXHIBIT**

**B**

| Dividend Year    | Day No. | Year | Date of Issue |
|------------------|---------|------|---------------|
| 1964             | 355     | 3    | 1-2-64        |
|                  | 362     | 3    | 1-6-64        |
|                  | 025     | 4    | 1-27-64       |
| 1965             | 347     | 4    | 1-2-65        |
|                  | 354     | 4    | 1-2-65        |
|                  | 361     | 4    | 1-2-65        |
| 1967             |         |      |               |
| February-May     | 042     | 7    | 2-17-67       |
| June-September   | 056     | 7    | 3-3~7         |
| October-December | 077     | 7    | 3-24-67       |

1972

February-July  
August-December

## **6.19 PAID DIVIDEND INFORMATION FOR TAX PURPOSES**

a. VA Form 29-390, Notice of Dividends Authorized, will be used to furnish information for New York State **tax** purposes or in answering general dividend disposition inquiries received from policyholders, if it will provide **an exact answer** to the inquiry.

b. The form will be prepared in duplicate when it is for New York State tax purposes. Prior to preparation of the form, the insurance folder will be reviewed to determine whether dividend information for certain years has been previously furnished. If so, the information will not be repeated unless specifically requested.

c. The amount blocks for all dividend years not applicable will be lined through, and the duplicate copy of the VA Form 29-390 will be stamped Ready **for** File, signed, dated and filed in the insurance folder. The request for the information will be routed for disposal unless it contains information of record value or requires answers **to** additional questions.

[d. On death cases the VA Form 29-390 will be modified as follows: Delete the word "your" in the message. In the space below the message block-print "EARNED ON THE ACCOUNT OF \_\_\_\_\_ DECEASED."

*NOTE: If the insurance folder is not located and dividend information for the period before July 1955 is required, the number of months paid will be determined from the photocopy of the premium record card and the amount of the dividends computed from the appropriate dividend schedules. On all such cases, a photocopy of the premium record card may be secured from the Records P-Processing Center, St. Louis, Missouri to determine the amount of dividends paid.]*

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## **6.20 COMPUTER SYSTEM PROCESSING OF DIVIDEND CREDIT/DEPOSIT WITH REMITTANCE TO PAY PREMIUMS OR LOAN**

a. When the Collections Unit receives a remittance with a request that it be combined with a dividend credit/deposit to pay premiums or loans they will code the remittance 201 (not paid as billed) or 300 (loan) with status code 2. This will cause the computer system to make the remittance a frozen pending transaction and generate an RPO, reason code 270 or 377, for clerical action.

b. VA Form 29-323, Disbursements, or VA Form 29-8521, Disbursements, is prepared by the Policy Service Clerk as input into the computer system. If a full withdrawal of dividend credit/deposit is to be

made, code 5 will be entered in the DISPOSITION CODE block of VA Form 29-323 or in the DISP. CODE block of VA Form 29-8521. If a partial withdrawal is to be made, code 6 is entered. When code 6 is used, clerical entries are required in the AMOUNT OF CHECK REQUESTED field of VA Form 29-323 or in the WITHDRAWAL AMOUNT OR AMOUNT OF CHECK REQUESTED field of VA Form 29-8521 to conform to the insured's request. One of the following transaction types is entered on the form:

- (1) 406-Dividend credit withdrawal to pay premiums.
- (2) 407-Dividend deposit withdrawal to pay premiums.
- (3) 428-Dividend credit withdrawal to reduce loan.
- (4) 429-Dividend deposit withdrawal to reduce loan.

c. When a full withdrawal (code 5) is made to pay premiums and there is a remaining credit, it will be inserted in the premium credit/shortage field of the master record unless the policy is paid through the end of the premium paying period, in which case the credit will be automatically refunded.

d. When a full withdrawal (code 5) is made to reduce a loan and there is more than sufficient credit to liquidate the loan, the remaining credit will be retained in the dividend credit/deposit segment. (The system \_\_\_\_ makes a partial withdrawal of the dividend credit or deposit.)

e. When partial withdrawals (code 6) are made, remaining balances are retained in the dividend credit/deposit segment.

f. The computer system will delete the pending transaction coded 2, lift the freeze and combine the remittance with the dividend credit/deposit to pay premiums or loan. Overages or shortages will be included only when the transaction is coded for premiums.

g. When the dividend credit/deposit and the remittance are used to pay premiums, a VA Form 29-4459, Dividend Deposit/Credit Statement, is released by the computer system.

h. When the dividend credit/deposit and the remittance are used to reduce loan indebtedness, VA Form 29-4459 and VA Form 29-1461 are released.

i. When any of the following conditions are on the master record, the computer system will not process the

case automatically:

- (1) Lien on the account or on another account of the insured.
- (2) Three or more policy cases.
- (3) The insured has both dividend credit and deposit balances and withdrawal would be required from both balances.
- (4) Account is frozen for reasons other than the pending remittance coded 2.

(5) Postmark date on transaction type 4)0( does not match postmark date of pending remittance or there is no pending remittance.

j. When the conditions listed in subparagraph i above exist, or in other instances when the computer system cannot take the requested action, an RPO with an appropriate reason code based on the condition on the master record that prevents computer system processing, will be generated for clerical action.

k. If the interest year in the dividend credit/deposit segment is later than the postmark date of the remittance, the case must be processed clerically.

## **6.21 U.S. GOVERNMENT LIFE INSURANCE POLICY WITH LOAN AND STATUTORY LIEN**

a. When a dividend is payable under the LOLI option on a USGLI policy and there is a loan and a statutory (off tape) lien on the contract, the computer will not process the dividend. Instead, an RPO, reason code 695, is generated for clerical action and the master record frozen with a 970 policy freeze.

b. Upon receipt of the RPO, the folder will be obtained to verify that it contains an authorization from the insured or legal representative to use the dividend to offset the statutory lien.

*NOTE* In cases when the total indebtedness (statutory lien and loan) exceeds the reserve and, for this reason, the option was changed to *LOLI* without a written request from the insured, the statutory lien will be reduced by the dividend.

c. A VA Form 29-1 610, Transfer Worksheet, will be prepared to reduce the statutory lien by the amount of the pending dividend. The VA Form 29-1696, Lien Record Card, must be appropriately noted.

d. After the offset action is completed, action will be taken to lift the 970 policy freeze.

## **6.22 ADJUSTMENT OF NSLI DIVIDENDS UPON REINSTATEMENT**

a. When a [participating] policy [(other than RS or W authorized for 12 months in the amount of \$1.20)] on extended insurance is reinstated, the following actions will be taken to determine if a dividend adjustment is in order:

(1) Compute the amount of regular annual dividends payable on the reinstated policy from the date of lapse to the date of reinstatement.

(2) Determine the amount of dividends paid on the extended insurance.

b. If the amount computed in subparagraph (1) above exceeds the amount determined in subparagraph (2) above, the difference will be paid in cash to the insured or, at his [or her] request, applied to reduce the cost of reinstatement.

c. If the amount determined in subparagraph (2) above exceeds the amount computed in subparagraph (1)

above, the dividends will not be adjusted.

## **6.23 PAID-UP ADDITIONS-MAXIMUM AMOUNT EDIT**

a. The computer system provides a maximum amount edit for paid-up additions. The edit will consider a paid-up addition as failing to meet the test when the amount is greater than 85 percent of the insurance amount. This amount will increase by 5 percent (not to exceed \$9,999) at 2-year intervals. The paid-up addition will be established and a nonfreeze RPO will be generated with the legend PDUPMX.

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- b. The Policy Service Clerk, upon receipt of the RPO, will request a history lookup.
- c. Upon receipt of the history lookup, it will be sent with the RPO to the Actuarial Clerk for calculation of **the** paid-up additions.
- d. Upon receipt of the calculation by the Actuarial Clerk, the history lookup and the RPO, the Policy Service Clerk will note the RPO as to the action taken, if any, and stamp the RPO *DO NOT REMOVE FROM FOLDER*. The history lookup and the RPO will be filed in the folder for future reference.

**[6.24 INQUIRIES ON PAYMENT OF DIVIDENDS**

a. Generally, incoming inquiries concerning paid dividend information are received in the Policy Service Section with a current RPO.

b. The Policy Service Clerk will review the RPO for acceptability and processing the dividend information within the system. The dividend information will not be processed by the system if any of the following conditions exist:

- (1) Prior year dividend not authorized.
- (2) Current year dividend not authorized and anniversary date has passed.
- (3) The policy prefix is other than 1, 2, 5 or 6.
- (4) The how paid code is 1 or 7.
- (5) The dividend years in the dividend paid segment are not in sequence or one is blank.

c. If the inquiry involves the payment of dividend only and the status on the RPO indicates that the dividend w',', information can be released by the system, the appropriate input document, transaction type 980, status code 4, will be prepared. This transaction will cause the system to generate a VA Form 29-5885 with the following message:

THIS IS IN RESPONSE TO YOUR RECENT DIVIDEND INQUIRY. THE \_\_\_\_\_ DIVIDEND ON GOVERNMENT LIFE INSURANCE IS BEING PAID ON THE POLICY ANNIVERSARY DATE.

YOUR LAST YEAR'S DIVIDEND FOR THE POLICY IDENTIFIED ABOVE WAS PAID IN \_\_\_\_\_ THE DIVIDEND FOR THIS YEAR WILL BE PAID \_\_\_\_\_

d. On multiple policy cases, the dividend information will be released by the system on the contract(s) for which the input document(s) was prepared provided that the policy specified is not under one of the conditions set forth in subparagraph b above.

e. When the system is unable to release the dividend information for a particular contract, an RPO reason code 980 showing the last three digits of the policy number will be generated. The legend OLDIV will also be printed in the lower right corner of the reason code area. On multiple policy cases, the system will generate an RPO for all the contracts the insured has in force with the foregoing legend shown for each

policy on which the system did not release the dividend information. This applies to all multiple cases regardless of whether the insured has all participating accounts or has both participating and nonparticipating accounts in force.

f. If the dividend inquiry cannot be answered by the system or the request for information is for more than an inquiry concerning the dividend payment, the Policy Service Clerk will take the appropriate action, as necessary, so that the insured's request for information will be completely satisfied.]

**6-22b**

~ M29-1, Part II  
Advance Manual Change No. 4-86 December 18, 1986

Chapter 6 - Dividends

Page 6-22c: A. Change: M29-1, Part **11**, Chapter 6.  
B. Procedure: Add the following interest year factor to Figure 6.01,

| Year   | Dividend    |                   |             |             |             |
|--------|-------------|-------------------|-------------|-------------|-------------|
|        | <u>1983</u> | <u>1984</u>       | <u>1985</u> | <u>1986</u> | <u>1987</u> |
| 1952   | 2.59667     | 2.90238           | 3.25360     | 3.64705     | 4.10014     |
| 1953   | 2.49191     | 2.78872           | 3.12970     | 3.51170     | 3.95159     |
| 1954   | 2.39020     | 2.67837           | 3.00942     | 3.38029     | 3.80737     |
| 1955   | 2.29146     | 2.57123           | 2.89264     | 3.25271     | 3.66735     |
| 1956   | 2.19559     | 2.46722           | 2.77926     | 3.12885     | 3.53141     |
| 1957   | 2.10251     | 2.36623           | 2.66919     | 3.00859     | 3.39943     |
| 1958   | 2.01215     | 2.26818           | 2.56232     | 2.89183     | 3.27129     |
| 1959   | 1.92442     | 2.17299           | 2.45856     | 2.77848     | 3.14688     |
| 1960   | 1.83924     | 2.08058           | 2.35783     | 2.66843     | 3.02610     |
|        |             | Regular & Special |             |             |             |
| 1961   | 1.75654     | 1.99085           | 2.26003     | 2.56158     | 2.90883     |
| W 1962 | 1.67626     | 1.90374           | 2.16507     | 2.45784     | 2.79498     |
|        |             | Regular & Special |             |             |             |

|      |         |         |         |         |         |
|------|---------|---------|---------|---------|---------|
| 1963 | 1.59831 | 1.81916 | 2.07289 | 2.35713 | 2.68445 |
| 1964 | 1.52263 | 1.73705 | 1.98339 | 2.25935 | 2.57714 |
| 1965 | 1.44322 | 1.65090 | 1.88948 | 2.15676 | 2.46454 |
| 1966 | 1.36632 | 1.56746 | 1.79853 | 2.05739 | 2.35549 |
| 1967 | 1.29183 | 1.48664 | 1.71044 | 1.96115 | 2.24987 |
| 1968 | 1.20369 | 1.39100 | 1.60619 | 1.84726 | 2.12487 |
| 1969 | 1.11893 | 1.29904 | 1.50595 | 1.73775 | 2.00468 |
| 1970 | 1.03743 | 1.21061 | 1.40957 | 1.63245 | 1.88912 |
| 1971 | .95437  | 1.12049 | 1.31134 | 1.52514 | 1.77134 |
| 1972 | .87021  | 1.02918 | 1.21181 | 1.41640 | 1.65200 |
| 1973 | .78968  | .94180  | 1.11656 | 1.31234 | 1.53780 |
| 1974 | .71261  | .85818  | 1.02542 | 1.21277 | 1.42851 |
| 1975 | .63495  | .77392  | .93357  | 1.11243 | 1.31839 |
| 1976 | .55709  | .68945  | .84150  | 1.01184 | 1.20799 |
| 1977 | .48295  | .60900  | .75381  | .91603  | 1.10285 |
| 1978 | .40564  | .52512  | .66238  | .81615  | 0.99322 |
| 1979 | .32921  | .44219  | .57199  | .71740  | 0.88484 |
| 1980 | .24516  | .35100  | .47259  | .60880  | 0.76566 |
| 1981 | .16370  | .26261  | .37625  | .50355  | 0.65015 |
| 1982 | .08000  | .17180  | .27726  | .39541  | 0.53146 |
| 1983 |         | .08500  | .18265  | .29205  | 0.41802 |
| 1984 |         |         | .09000  | .19083  | 0.30693 |
| 1985 |         |         |         | .09250  | 0.19902 |
| 1986 |         |         |         |         | 0.09750 |

- 2.

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C. New or Revised  
Insurance Forms: None

PAUL F. KOONS  
Assistant Director for Insurance

DISTRIBUTION:

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M29-1, cart Ii  
Advance Manual Change No. 8-85 November 15, 1985

**Chapter 6 - Dividends**

A.  
B.

**Change:**  
**Procedure:**  
**Dividend**

**M29-1, Part 11, Chapter 6.**

Add the following interest year factor to Figure 6.01, Page 6-22c:

| <u>Year</u>                  | <u>1982</u>    | <u>1983</u>    | <u>1984</u>    | <u>1985</u>    | <u>1986</u>    |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| 1952                         | <b>2.33025</b> | 2.59667        | <b>2.90238</b> | <b>3.25360</b> | 3.64705        |
| -1953                        | 2.23325        | 2.49191        | 2.78872        | 3.12970        | 3.51170        |
| 1954                         | 2.13908        | 2.39020        | 2.67837        | 3.00942        | <b>3.38029</b> |
| 1955                         | 2.04765        | 2.29146        | 2.57123        | 2.89264        | 3.25271        |
| 1956                         | 1.95888        | 2.19559        | 2.46722        | 2.77926        | <b>3.12885</b> |
| 1957                         | 1.87270        | 2.10251        | 2.36623        | 2.66919        | 3.00859        |
| 1958                         | 1.78903        | 2.01215        | 2.26818        | 2.56232        | 2.89183        |
| 1959                         | 1.70779        | 1.92442        | 2.17299        | 2.45856        | 2.77848        |
| <b>1960</b>                  | <b>1.62893</b> | 1.83924        | <b>2.08058</b> | <b>2.35783</b> | <b>2.66843</b> |
| Regular                      | & Special      |                |                |                |                |
| 1961                         | 1.55236        | 1.75654        | 1.99085        | 2.26003        | 2.56158        |
| 1962                         | 1.47802        | <b>1.67626</b> | <b>1.90374</b> | 2.16507        | 2.45784        |
| <b>Regular &amp; Special</b> | <b>Special</b> |                |                |                |                |
| <b>1963</b>                  | <b>1.40584</b> | 1.59831        | 1.81916        | 2.07289        | <b>2.35713</b> |
| 1964                         | 1.33577        | 1.52263        | 1.73705        | 1.98339        | 2.25935        |
| 1965                         | 1.26224        | 1.44322        | 1.65090        | <b>1.88948</b> | <b>2.15676</b> |
| 1966                         | 1.19104        | <b>1.36632</b> | <b>1.56746</b> | 1.79853        | 2.05739        |
| 1967                         | 1.12207        | 1.29183        | <b>1.48664</b> |                | 1.71044        |
| 1.96115                      |                |                |                |                |                |
| <b>1968</b>                  | 1.04045        | 1.20369        | 1.39100        | 1.60619        | 1.84726        |
| 1969                         | .96197         | <b>1.11893</b> | 1.29904        | 1.50595        | 1.73775        |
| 1970                         | <b>.88651</b>  | 1.03743        | 1.21061        | 1.40957        | <b>1.63245</b> |
| 1971                         | .80960         | .95437         | 1.12049        | 1.31134        | 1.52514        |
| 1972                         | <b>.73168</b>  | .87021         | 1.02918        | 1.21181        | 1.41640        |
| 1973                         | .65711         | <b>.78968</b>  | .94180         | 1.11656        | 1.31234        |
| 1974                         | .58575         | .71261         | <b>.85818</b>  | 1.02542        | 1.21277        |
| 1975                         | .51384         | .63495         | .77392         | .93357         | 1.11243        |
| 1976                         | .44175         | .55709         | .68945         | .84150         | 1.01184        |
| 1977                         | .37310         | .48295         | .60900         | .75381         | .91603         |
| 1978                         | .30152         | .40564         | .52512         | <b>.66238</b>  | .81615         |
| 1979                         | .23075         | .32921         | .44219         | .57199         | .71740         |
| 1980                         | .15293         | .24516         | .35100         | .47259         | <b>.60880</b>  |
| 1981                         | .07750         | .16370         | .26261         | .37625         | .50355         |
| <b>1982</b>                  |                | .08000         | .17180         | .27726         | .39541         |
| 1983                         |                |                | .08500         | .18265         | .29205         |
| 1984                         |                |                |                | .09000         | .19083         |
| 1985                         |                |                |                |                | .09250         |

--, ~~~~~~\~\~ ~~~~ --, \ \ \ \ -" - \ ~

**M29-1, Part II**  
**Advance Manual Change No.**

**C. New or Revised**  
**Insurance Forms:**        **None**

**P AUL F.**        NS  
**Director for Insurance**

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**M29-1, Part II**  
**Advance Manual Change No. ~1G4**

**November 1, 1~34**

|                          |                          |                                                         |
|--------------------------|--------------------------|---------------------------------------------------------|
| <b>A.</b>                | <b><u>Change:</u></b>    | <b><u>Chapter 6 - Dividends</u></b>                     |
| <b>B.</b>                | <b><u>Procedure:</u></b> | <b>M29-1, Part II, Chapter 6.</b>                       |
| <b>6.01, Page 6-22c:</b> |                          | <b>Add the following interest year factor to Figure</b> |

| <u>Year</u>    | <u>1982</u>          | <u>Dividend</u><br><u>1983</u> | <u>1984</u>     | <u>1985</u>    |
|----------------|----------------------|--------------------------------|-----------------|----------------|
| 1952           | 2.33025              | <b>2.59667</b>                 | 2.90238         | 3.25360        |
| <b>1953</b>    | 2.23325              | 2.49191                        | 2.78872         | <b>3.12970</b> |
| <b>1954</b>    | 2.13908              | 2.39020                        | <b>2.6783</b>   | <b>3.00942</b> |
| <b>1955</b>    | <b>2.04765</b>       | <b>2.29146</b>                 | <b>2.5712</b>   | 2.89264        |
| <b>1956</b>    | <b>1.95888</b>       | 2.19559                        | 2.4672          | <b>2.77926</b> |
| <b>1957</b>    | <b>1.87270</b>       | <b>2.10251</b>                 | <b>2.366~3</b>  | <b>2.66919</b> |
| 1958           | <b>1.78903</b>       | <b>2.01215</b>                 | <b>2.2681'8</b> | <b>2.56232</b> |
| 1959           | <b>1.70779</b>       | 1.92442                        | 2.17299         | <b>2.45856</b> |
| <b>1960</b>    | <b>1.62893</b>       | 1.83924                        | <b>2.08058</b>  | 2.35783        |
| <b>Regular</b> | <b>&amp; Special</b> |                                |                 |                |
| <b>1961</b>    | 1.55236              | <b>1.75654</b>                 | <b>1.99085</b>  | <b>2.26003</b> |
| <b>1962</b>    | <b>1.47802</b>       | <b>1.67626</b>                 | <b>1.90374</b>  | <b>2.16507</b> |

|   | <b>Regular &amp;</b> | <b>Special</b> |         |         |         |
|---|----------------------|----------------|---------|---------|---------|
| • | 1963                 | 1.40584        | 1.59831 | 1.81916 | 2.07289 |
|   | 1964                 | 1.33577        | 1.52263 | 1.73705 | 1.98339 |
|   | 1965                 | 1.26224        | 1.44322 | 1.65090 | 1.88948 |
|   | 1966                 | 1.19104        | 1.36632 | 1.56746 | 1.79853 |
|   | 1967                 | 1.12207        | 1.29183 | 1.48664 | 1.71044 |
|   | 1968                 | 1.04045        | 1.20369 | 1.39100 | 1.60619 |
|   | 1969                 | .96197         | 1.11893 | 1.29904 | 1.50595 |
|   | 1970                 | .88651         | 1.03743 | 1.21061 | 1.40957 |
|   | 1971                 | .80960         | .95437  | 1.12049 | 1.31134 |
|   | 1972                 | .73168         | .87021  | 1.02918 | 1.21181 |
|   | 1973                 | .65711         | .78968  | .94180  | 1.11656 |
|   | 1974                 | .58575         | .71261  | .85818  | 1.02542 |
|   | 1975                 | .51384         | .63495  | .77392  | .93357  |
|   | 1976                 | .44175         | .55709  | .68945  | .84150  |
|   | 1977                 | .37310         | .48295  | .60900  | .75381  |
|   | 1978                 | .30152         | .40564  | .52512  | .66238  |
|   | 1979                 | .23075         | .32921  | .44219  | .57199  |
|   | 1980                 | .15293         | .24516  | .35100  | .47259  |
|   | 1981                 | .07750         | .16370  | .26261  | .37625  |
|   | 1982                 |                | .08000  | .17180  | .27726  |
|   | 1983                 |                |         | .08500  | .18265  |
|   | 1984                 |                |         |         | .09000  |

2.

**M29-1, Part II**  
**Advance Manual Change No. j110-84**

**C. New or Revised**  
**Insurance Forms:           None**

**PAUL KOONS**  
**Assistant Director for Insurance**

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Chapter 7. Refunds

- A. Change: M29-1 Part II, Chapter 7. This change adds an additional condition for the need to process a refund manually. The system is designed to accommodate a refund from the pending transaction area, if the amount does not exceed **\$9999.99**. Any combination of pending amounts and/or amounts being inserted to the pending transaction area that exceeds **\$9999.99**, must be refunded manually via VA Form 4-706, notice of refund worksheet. If an erroneous attempt is made to disburse amounts exceeding **\$9999.99** from the pending area, the pending transaction refund program will attempt to combine the amounts, so that a single amount will be disbursed. This amount is then reinserted to the pending area for immediate refund. The problem is that the pending amount field can only accommodate six positions. Therefore, the high order position of the refund amount will be truncated, causing a \$10,000 out of balance condition. EXAM: Combined amounts totalling \$12,000.00 will be reinserted by the system as a \$2,000.00 amount.
- B. Procedure: Page 7-2, add to subparagraph 7. 02b the following manual processing condition:
- (7) A combination of refund amounts exceeds **\$9,999.99**.
- C. New or Revised  
Insurance Forms: None.

PAUL F. KOONS  
Assistant Director for Insurance

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Chapter 7. Refunds

- A. Change: M29-1, Part 11, Chapter 7. This change removes the \$350.00 refund threshold for processing an off-tape (VAF 4-706) refund amount to an incompetent policyholder, except for Philippine fiduciary accounts. An ADP program modification has been installed to extend the \$350.00 on tape refund restriction (for incompetent veterans with guardian appointed) to \$9999.99. The ADP system will now allow a transaction type 008 and/or transaction type 088 refund to be processed from the pending transaction area on the RPO. The requirement to secure current certification of guardian remains unchanged.
- B. Procedure: Page 7-2, delete subparagraph 7.O2b(2) and substitute the following:
- (2) Philippine fiduciary account.
- Page 7-3, delete subparagraph 7.O3f(1)
- C. New or Revised Insurance Forms: None

ROBERT W. CA  
Assistant Director for Insurance

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February 13, 1979

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Change 15

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CHAPTER 7. REFUNDS

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September 30, 1977

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Change 14

## CHAPTER 7. REFUNDS

## 7.01 GENERAL

a. Refunds are automatically initiated **by** the system in the following instances:

(1) Final lapse action is taken automatically and there is a credit of \$1 or more, including any remaining dividend credit balance, and there are no pending posting transactions.

(2) When a repayment of a loan or lien exceeds the actual amount due by \$1 or more on single policy cases with no other indebtedness involved. The amount not applied will appear as a pending transaction with a transaction **type** in the 300 series and a 609 callup. Disbursements are also automatic when both the transaction type and callup type are 609. Disbursement will be made by the system on the callup date.

(3) When a permanent **plan** limited-pay life policy is paid to the end of the premium-paying period and there is a credit of \$1 or more.

b. When the system initiates a disbursement and fails to complete action, it will cause a VA Form 29-5886b, Insurance Record Printout, to be generated with a reason code in the 600 series. Clerical action is required to correct the condition which prevented the system **from making** the disbursement or to take any action which the system is not programed to accomplish.

c. When a refund is authorized manually or processed by the system with clerically prepared input, and it is necessary to eliminate an overage or a shortage, the following will apply:

(I) **Direct Pay Accounts.** In a routine refund, a history lookup will not be required when including overages \_\_\_\_\_ of less than 90 percent of a monthly premium, or deducting shortages of not more than 30 percent of a monthly

**premium**, except when the overage or shortage appears to be questionable. This applies only to amounts shown in the Credit or Shortage field of the Premium segment of the record printout. An overage or shortage will not be included in the refund calculations if the insured has been or will be advised of the amount on a premium notice (billing callup within 30 days of refund).

(2) **Deduction Accounts.** If the amount of the overage does not exceed a monthly premium or a shortage is less than \$1, it will not be necessary to verify the amount. If the overage is more **than** a monthly premium or the shortage is in excess of \$1, the amount will be verified by history lookup or any other means available.

## 7.02 PROCESSING REFUNDS

a. When processing refunds, the following input documents may be required to initiate disbursements, adjust the master record and insert and delete pending transactions. These documents will be completed as outlined in MP-6, **part** II, supplement Nos. 2.1 and 2.2.

(1) VA Form 29-5895a, Pending Transaction Input Card, or VA Form 29-8526, Pending Transaction, to delete or insert pending transactions.

(2) VA Form 29-5893a, Premium Input Card, or VA Form 29-8523, Premium/TDIP, to update the premium segment in the master record.

(3) VA Form 29-5892a, Policy Input Card, or VA Form 29-8522, Policy, to insert or change policy information in the master record.

b. Refunds are authorized manually or can be processed by the system as initiated with various clerically prepared input documents. VA Form 4-706, Notice of Refund and Refund Worksheet, will be prepared to authorize the refund manually when one of the following conditions exists:

(1) Account is not on tape.

7-1

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September 30, 1977

(2) Fiduciary case involved, and amount of refund is \$350 or more, or a Philippine fiduciary account, regardless of the amount.

(3) A third-party refund is involved.

(4) An immediate refund is required, and a life or policy freeze prohibits accomplishing the refund on tape.

(5) Refund cannot be accomplished on tape because refund date is after the action date on RPO.

(6) Insured requests refund of an amount less than \$1.

*NOTE: When processing refunds manually and there is a master record on tape, prepare the appropriate input to adjust the master record.*

c. When a request for refund of unearned premiums or PIR (Pure Insurance Risk) is received, request an RPO and freeze the master record. Refunds of a pending posting or disbursement transaction do not require that the master record be frozen. When the refund involves PIR, computation of the amount due will be requested on VA Form 29-320, Request for Calculation, overprinted for that purpose.

d. To initiate the disbursement of the full amount of a pending [item in the] (200 series transaction type) [on how paid codes other than 5, 7, 8 or 9, or pending items in the (300 and 600 series) transaction type) by the system, prepare input document using transaction type 088, for each transaction to be refunded. The refund will be made by the system even if the master record is frozen. [It is not necessary to obtain the insurance folder when this transaction is being used.]

e. When only a part of a pending posting or disbursement transaction is to be refunded, prepare input document(s) with transaction type 098, to delete the pending transaction, and transaction type 008 to insert a pending disbursement for the amount to be refunded. If the part to be retained is to be applied as premium, prepare input document with transaction type 083 to update the next premium due date on the master record. If applied on a loan or lien indebtedness, prepare input document with transaction type 008, to insert the amount as a pending 300 or 302 posting transaction.

f. To insert a pending disbursement transaction, prepare input document with transaction type 008. The refund will be made on the callup date if both pending transaction and callup type are 609. The amount inserted as a pending disbursement may be a combination of the following:

- (1) Overages in the credit field on the premium segment.
- (2) Unearned premiums.
- (3) PIR credits.
- (4) Section 712 or 748 waiver credits.

g. When refunding unearned premiums, prepare input documents with transaction type 083, to correct the master record and make the necessary adjustments of control accounts. If TDIP (total disability insurance provision) is involved, use transaction type 087 to correct the TDIP segment and make necessary adjustments of control accounts. To change PIR or section 724 waiver information, it will be necessary to prepare an input document using transaction type 082.

h. When [VA Form 4-706, is used to initiate a refund and the RPO (record printout) is not being used as an input document], the amount to be refunded will be clearly indicated on the RPO and circled in red ink. The RPO will be noted to show: F-706, REAU, the date and the name of the clerk initiating the refund. [It is not necessary to prepare a refund flash reference slip.] The input documents, RPO, insurance folder and other related

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h. When input documents and/or a VA Form 4-706 are prepared, the amount to be refunded will be clearly indicated on the RPO and circled in red ink. The RPO will be noted to show 4-706 REAU, the date and the name of the clerk initiating the refund. The input documents, RPO, insurance folder and other related material will be sent to the Voucher Audit Unit for review and verification.

### 7.03 DISBURSEMENTS TO INCOMPETENT INSUREDS

a. The system will automatically disburse payments to the legal guardian of an incompetent insured, if the amount is less than [\$250] and it is not a Philippine fiduciary account. An RPO will be generated with reason code 672.

b. The system will establish a pending disbursement transaction with a 970 callup code when any of the following conditions are indicated on the master record:

- (1) The insured is incompetent but no legal guardian has been appointed.
- (2) The amount of the disbursement is [\$250] or more.
- (3) Philippine fiduciary account, regardless of amount.

c. VA Form 29-505, Request for Information, will be prepared and released to the (Veterans Services Officer] of the regional office involved, in the following instances:

- (1) No legal guardian has been appointed.

(2) A current certification of guardianship is required when the amount of disbursement is (\$250] or more. Certifications for these disbursements must be no more than 6 months old. If more than 6 months old, a current certification must be obtained. The certification of guardianship may be authorized in a letter from the Veterans Services Officer, VA Form 27-555, Certification of Legal Capacity To Receive and Disburse Benefits, or other

suitable forms.

d. VA Form 29-504, Notice of Payment Due Incompetent Veteran, will be clerically prepared and released to the (Veterans Services Officer] of the regional office involved, when any disbursement is processed clerically or automatically by the system.

*NOTE: VA Form 29-504 will not be released to the [Veterans Services Officer] of the regional office involved when the Director of a VA hospital or domiciliary has been designated the fiduciary.*

e. VA Form 4-706 will be clerically prepared to disburse the following:

(1) Refunds of (\$250] or more after current certification has been received.

(2) refunds, regardless of amount, on Philippine fiduciary accounts. These forms must be addressed to the guardian in care of the [Veterans Services Officer] , Manila regional office.

#### 7.04 CONTROL OF PENDING REFUNDS

a. A positive control (see subpar. b below) over pending refunds will be limited to those cases in which:

(1) A dictated letter was sent to the insured containing a specific promise of refund.

(2) An inquiry is received from an insured who refers to a previous unanswered request for a refund.

(3) An underwriting application, other than new issue, is disapproved and a form or dictated letter is released

**a** promising the applicant a refund.

b. A VA Form 29-5895a, or 29-8526 transaction type 008, will be used to insert a nonfreeze refund diary with a 15-day callup date.

**May 12, 1980**

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**CHAPTER 8. LOANS**

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- 8.04        Manually Processing Formal and Informal Applications for Policy Loans (Reinstatement or Change in Plan Not Involved)
  
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- 8.06        Manually Processing Formal and Informal Applications for Policy Loan Involving Reinstatement
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8.15 Processing RPO Reject Reason Code 644

**FIGURE**

8.01 4 Percent Interest Factors for Parts of a Year-1 to 365 Days

8-12b

8.02 5 Percent Interest Factors for Parts of a Year-1 to 365 Days

8-13

8.03 Clerical Calculation of Loan Interest

8.04 Clerical Calculation of Loan Interest

8.05 Clerical Calculation of Loan Interest

,8.06 Clerical Calculation of Loan Interest

8.07 Clerical Calculation of Loan Interest

April 27,1972

**M29-1 ,Part II  
Change 6**

**CHAPTER 8. LOANS**

**8.01 GENERAL**

a. VA Form 29-1547, Application for Policy Loan, and VA Form 29-5772, Loan and Cash Surrender Values, are applications designed for requesting a loan. A letter containing a specific request for a loan over the insured's signature may be considered as an informal application. Other documents will be received requesting information on loan values, cancellation of application for policy loan and cancellation of an outstanding loan where the loan check has not been cashed. These applications will be received and processed in the Policy Service Section.

b. Arrangements have been in effect since 1968 whereby [Veterans Assistance] personnel can call directly into the Special Service Clerks at the Philadelphia and St. Paul VA centers to expedite insurance policy loans. Upon receipt of such a request in the Special Service Unit via the FTS system, regular procedures incident to processing policy loans will be immediately effected. A chronological log will be maintained for control purposes pending receipt of the signed forms. As each form is received, the item appearing on the appropriate log will be checked off and the form will be stamped Ready for File, signed, dated and released for filing in the insurance folder. Any items remaining unchecked after 15 calendar days will require that an inquiry be addressed to the office of origin to determine the reason for delay. If a document appears to have been lost in transit, the applicant will be requested to sign and return a duplicate in an addressed, franked envelope that will be supplied

c. if the correct insurance folder is no t attached to the document or if no folder is attached, take immediate action to obtain it. A VA Form 29-5886 , insurance record print Out (RPO),

should also be available before an input document is introduced into the system to process the loan.

d. When there will be a delay in processing the application or communication, release a VA Form Letter 29-108 or a dictated letter to the insured and note the application accordingly. When records are located in the other office, airmail the application or correspondence to that office.

e. Upon receipt of all necessary records, take action to process the loan, request for loan information, or cancellation of the loan.

f. Upon receipt of a loan application, either formal or informal, which has been associated with an RPO, and there is no record of the insurance folder, authority for processing the loan without the folder will be vested with the Chief, Policy Service Section. The loan may be processed without verification of the signature if the check is to be forwarded to the address of record. The signature will be verified in these cases when the folder is subsequently associated with the insurance folder. Verification of signature will be made prior to processing when the check to be mailed to an address other than the address of record. When verification of signature is

necessary before action can be taken, every possibility will be pursued to obtain a microfilm print or photocopy documents available in the office bearing the insured's signature. If verification of the signature cannot be obtained, FTS may be used to contact the insured at the address to which the check is to be mailed to authenticate the action to be taken. The application will be appropriately noted.

g. The signature on the application must be compared with the insured's latest signature on records in the insurance folder to determine that the application was made over the signature of the insured. When it is apparent that the signature is not the insured's, or the signature is questionable, release a dictated letter to the insured, asking for verification of the application for loan. The letter will state that the signature on the application appears to be different from that on file. Enclose another application and request the insured to have his signature on the new application witnessed by a VA representative or by one disinterested person. The address of the witness should also be included. The letter will clearly indicate that the request for a new application is being made solely to protect the insured's interests.

1. When a question of the insured's competency arises in connection with a loan application, take the following action:

**8-1**

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Change 6**

**April 27, 1972**

(1) Prepare a memorandum requesting the Disability Determination Unit to determine whether the insured is competent or incompetent. Include type and amount of pending disbursement in the request.

(2) That unit will return the material with the insurance folder for further processing after de termination is made.

j. When action is taken to initiate automatic processing and edits are not met, an RPO will be generated with a reason code in the 600 series.

k. When a VA Form 29-1547 or 29-5772 is released to an insured, a self-addressed Kraft envelope will be enclosed for his use. When the Kraft envelope is returned by the insured, it will be selected and processed before the routine mail. All loan applications will be handled on a priority basis.

## **8.02 PROCESSING FORMAL AND INFORMAL APPLICATIONS FOR POLICY LOANS BY THE SYSTEM**

a. VA Form 29-323, [Disbursements], or [VA Form] 29-8521, [Disbursements], will be used to initiate system processing of a loan unless one of the following conditions exists:

- (1) There is a life or policy freeze.
- (2) Account has off-tape indebtedness or statutory lien.
- (3) Incompetency is indicated.
- (4) Insurance is lapsed or on extended insurance.
- (5) Returned mail indicated.
- (6) Policy not in a multiple of \$500.
- (7) There are more than two policies and an insurance overpayment lien exists on one or more of the policies.
- (8) When part of loan is to be used to pay premiums and part to be paid in cash.

b. When VA Form 29-323 is used to initiate system processing of the loan and the loan check is to be mailed to an address different from that in the master record, prepare a VA Form 29-322, Disbursement [ ] Address or Trailer Input. When the address on the application is intended as an address change for all insurance purposes, prepare VA Form 29-5934, Change of Address for Insurance Purposes, in lieu of VA Form 29-322. A second form is not required when using VA Form 29-8521 as it contains an area to be used when a different address is involved. If the address on the application is not intended for all insurance purposes, or the check is to be mailed to an address other than the insured's bank or to a address, prepare VA Form 29-5785, Address Insert Slip, showing the address which is on the RPO. The VA Form 29-5785 will be used for mailing VA Form 29-1468b, Notice of Approval of Policy Loan, which will be produced by the system.

c. When action is not initiated to process a replacement loan in the system, prepare a request for RPO and freeze the record.

d. When preparing VA Form 29-323 or 29-852 1 to initiate system processing of a loan, transaction type 617

will be used if the following conditions are met:

- (1) There is an overpayment lien on another policy which will be paid from the proceeds of the loan.
- (2) New or replacement loan may be granted under certain conditions even though there is loan activity within the last 20 days.

*NOTE: If the above conditions are not involved, transaction type 607 will be used.*

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**May 12, 1980**

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e. After input documents are prepared to initiate system processing of the loan, the Policy Service [technician] will enter his[/her] initials, [the input(s) prepared] and the current date on the left margin of the loan application. The input documents, with all other material, will be sent to the Voucher Audit [activity] for review and verification.

f. If loan input documents were rejected by the system and are being reintroduced, the case should be returned to the Voucher Audit [activity].

g. When the loan is processed, the system will produce VA Form 29-1468b, which is sent to the Voucher Audit [activity]. The original is sent to the insured and the duplicate is filed in the insurance folder.

### **8.03 PROCESSING REQUESTS FOR INFORMATION ON LOAN VALUES**

e a. Information on the loan value of the policy is furnished the insured upon request or when the cash value of the policy is being furnished to him[her]

b. For computer system processing, VA Form 29-323 or 29-8521, transaction type 603, is prepared. Computation code 3 is entered in block 74 on VA Form 29-323 or in the RPO Reg block on VA Form 29-8521. The computation date is entered in blocks 22-26 or VA Form 29-323 or the Postmark/Computation Date field on VA Form 29-8521. It is an AS OF date.

c. The computer system will make the necessary computations and generate a completed VA Form 29-5772, including the net cash and net loan values. The net loan value is the maximum loan value minus the indebtedness (loans, liens, accumulated interest, and premium shortages). If the indebtedness exceeds the loan value, zeros will be printed in the NET LOAN VALUE block.

d. When any of the following conditions are indicated, clerical processing is required:

- (1) There is a life or policy freeze.
- (2) Level premium term insurance.
- (3) Account has off tape indebtedness or statutory lien.
- (4) Incompetency is indicated.
- (5) Insurance is lapsed or on extended insurance.
- (6) Day number cannot be calculated from input data.
- (7) Policy not in force 1 <sup>5</sup>year.
- (8) Action type indicates impending automatic surrender.
- (9) Returned mail indicated.
- (10) Overpayment lien in effect on another policy of the insured.
- (11) Loan interest not capitalized.

*NOTE: If input is inserted into the computer system when any of the above conditions are on the master record, the input will be rejected and an RPO, reason code 611, generated for clerical processing.*

e. Clerical processing to provide information on the loan value of a policy.

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(1) If the plan of insurance is 5LPT, or if a permanent plan policy has been in force for less than 12 months, a FL 5 29-108 is prepared and released. On a permanent plan, the loan value at the end of the first policy year is included.

(2) If premiums are paid through or beyond the current premium month, compute the loan value as follows:

(a) Determine the period of time (years and months) the policy will have been in force from the effective date through the prospective premium month in which the loan will be requested.

(b) Using the plan of insurance, the age of the insured on the effective date of the policy and the years and months the policy will have been in force, obtain the fractional reserve value per \$1,000 of insurance. Fractional reserve values per \$1,000 of insurance are published in the following manuals:

1. V-H-M29-2, Part III A, Table XXVI.
2. RH-M29-6, Part II.
3. W-M29-8, Part III.
4. J-M29-10, Part III-A.
5. JR-JS-M29-10, Part III-B.
6. K-M29-4, Part II.

(c) Multiply the fractional reserve value per \$1,000 of insurance by the thousands of insurance. This is the total amount of reserve.

(d) Multiply the total amount of reserve by 94 percent. This is the maximum loan value.

(e) Subtract the indebtedness (loans, accumulated interest, premium shortages, liens, including an insurance overpayment lien on another policy of the insured) from the maximum loan value. This is the net loan value. If the indebtedness exceeds the maximum loan value, the net loan value is zero.

(f) To compute the net cash value refer to chapter 9 of this manual, paragraph 9.02.

(3) [When] a form, [AT (automatic typewriter)] , or dictated letter is released manually, the net loan value and the net cash value will be furnished.

(4) When it is necessary to process the loan value of paid-up insurance clerically, a VA Form 29-320, Request for Calculation, will be prepared and sent to the actuarial computers for computation.

(5) If the policy is lapsed, determine the cost of reinstatement and the loan value through the prospective month of reinstatement. The cost of reinstatement, the loan value and the requirements of reinstatement will be furnished the insured in a dictated letter.

(6) If there is Other Indebtedness indicated, obtain amounts and types. Compute interest, when applicable, through the prospective date of new or replacement loan.

(7) If the insured is incompetent, a dictated letter will be released to the [Veterans Services Officer] of the appropriate regional office. The loan value available through the prospective premium month in which the loan will be granted will be included in the letter.

(8) VA Form 29-5772 will be prepared and released in all instances [when] it is not indicated that a dictated letter or FL 29-108 is to be released. The insured's letter will be enclosed with the reply.

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(9) If the insured requests additional information, the reply will be by dictated letter. If the insured's letter contains information of record value, it will be stamped Ready for File, signed and dated and sent to be filed in the insurance folder. Otherwise, it will be disposed of in accordance with Records Control Schedule VB-1, part 1.

#### 8.04 MANUALLY PROCESSING FORMAL AND INFORMAL APPLICATIONS FOR POLICY LOANS (REINSTATEMENT OR CHANGE IN PLAN NOT INVOLVED)

a. For an initial loan, verification of the [signature] will be made by checking the [latest signature] in the insurance folder.

b. Review the loan application for acceptability.

c. If the RPO does not indicate Insured Incompetent but accompanying g correspondence indicates the insured may be incompetent, or if the RPO indicates Incompetent but no guardian has been appointed, the material and folder will be sent to the Disability Determination Unit for a decision.

d. If there is other indebtedness, obtain amounts and type. Withhold the necessary amount from the loan to offset the indebtedness. If the indebtedness is a section 304 lien, the cash actually paid to the insured is limited to the amount the maximum loan value exceeds the section 304 indebtedness.

e. If the insured has other policies in force, check for any outstanding insurance overpayment liens for the other policies. If so, deduct the amount automatically and advise the insured of the action taken. The insured will be told that if he [or she] objects to the action taken and returns the loan check, we will cancel the entire transaction.

f. If premiums are not paid through the premium month in which the loan is to be granted, determine whether the application for loan was mailed within the grace period of the next premium due or within 30 days after end of grace period. One, two or three monthly premiums may be withheld from the loan to pay premiums through the month in which the loan is granted. If not, proceed as follows:

(1) Determine if there are any pending moneys which, when applied, would permit granting the loan. If so, apply them.

(2) Determine if there are any Administrator's Decision 902 and/or dividend credits on any policies of the insured, which, when applied, would permit granting the loan. If so, apply them.

(3) If credits are applied to permit granting of the loan, process the application, if otherwise in order.

5 g. If it is found that less than 20 days have elapsed since the last loan or lien repayment, determine the amount and type of repayment. If payment was made by check, take the following action:

(1) Process the loan without delay if the amount of the [ ] remittance is less than \$100[ ].

(2) If the amount of the personal check is \$100 or more and the amount of the new loan, plus the amount of the check, exceed the maximum reserve value, withhold processing until 20 days have elapsed. Release a letter advising the insured of the reason for the delay.

h. If the application is in order and all requirements are met, compute the loan value and the loan as follows:

(1) Determine the maximum loan value of the policy as outlined in paragraph 8.03e.

(2) (Deleted by change 6.)

(3) If there is an outstanding loan, compute interest to the date the replacement loan is to be effective.

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(4) If there is an outstanding premium or insurance overpayment lien, compute interest, when applicable, to the date the new or replacement loan is to be effective. Make the same computation for insurance overpayment liens on other policies of the insured.

(5) If the amount of loan requested does not include a deductible indebtedness, or a deduction has to be made to pay premiums through the premium month in which the loan is granted, increase the loan to permit release of a check for the amount desired, if sufficient loan value is available.

1. If an informal application is acceptable, stamp, date and initial the application as below:

Accept as Informal Application for Loan

(Date of Acceptance)

(Initials of person  
authorizing acceptance)

Date

Initials

Authority for acceptance is limited to the Insurance Officer and designees.

j. If the application is approved, note the application as follows:

(1) Approved, date and sign. A name stamp may be used in lieu of signature.

(2) If the requested loan exceeds the loan value of any one policy of the insured, determine the amount of loan to be granted on each policy. Enter Accept as applications for loans on (Policy No.) and (Policy No.), in the left margin. A dictated letter will be sent advising the insured of the action taken, and that if it is not in accord with his[or her ] intent, to [ ] inform[

k. When the loan is approved, prepare VA Form 29-1468b, using the form with loan repayment portion, if other than an allotment or DFB account. If allotment or DFB account, use VA Form 29-1468b that does not contain the loan payment portion. The form will be completed as follows:

- (1) File Number. Enter file number including letter prefix.
- (2) Policy Number-Prefix-Last Three Digits. Enter letter prefix for policy number and last three digits of policy number.
- (3) Effective Date of Loan. Enter month, day and year loan is to be effective. The effective date will be the date the check is drawn by the Treasury Department.
- (4) Total Amount of Loan. Enter total amount of loan to be granted.
- (5) Interest Credit. Enter interest credit, if any, resulting from a replacement loan.
- (6) Previous Premium Credit. Enter amount of previous premium credit used to pay premiums as a result of the loan.
- (7) Dividends Refunded. Enter amount of dividend credit or deposit to be included in the loan check.
- (8) Total Credits. Enter total of amounts shown in subparagraphs (4), (5), (6) and (7) above.

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(9) Previous Loan

- (a) Remaining Balance. Enter balance of previous loan.
- (b) Interest to Date of New Loan. Enter amount of interest due on previous loan to the effective date of replacement loan, when applicable.

(10) Unpaid Premiums

- (a) Amount. Enter amount deducted for premiums.
- (b) 5 From. Enter due date of premium being paid from the loan.
- (c) Next Premium Due. Enter next premium due date after payment of premium from the loan.

(11) Previous Premium Shortage. Enter amount deducted to pay premium shortage.

(12) Other Deductions. Enter any amount deducted other than those shown in subparagraphs (9), (10) and (11).

(13) Total Deductions. Enter totals of amounts in subparagraphs (9), (10), (11) and (12).

(14) Amount of Check. Enter dollar amount of check.

(15) The name and address of the payee should be entered in the space provided on the form as follows:

(a) Insured's first name, middle initial(s), and last name, if loan is granted to insured directly or through an attorney-in-fact.

(b) Address of insured shown on the application, unless a fiduciary is involved.

(c) If fiduciary is involved, show name and title of fiduciary, insured's name, and address of fiduciary.

(16) In addition, the lower portion will be completed, when required, to show File Number, Policy Prefix and Number and the name of the insured.

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1. When a check of [\$250] less is to be mailed to the fiduciary, prepare VA Form 29-504, Notice of 4 Payment Due Incompetent Veteran, to notify the [Veterans Services Officer] of the payment. e

m. Prepare VA Form 29-5894a, Optional Segment Input, or VA Form 29-8525, Dividend/Loan/Lien, to insert or change the loan segment on the master record.

n. Loans that are processed manually will be scheduled with surrenders and refunds. This precludes expedited handling by the Treasury Disbursing Office and must be considered when establishing the effective date of an off-tape loan.

o. When a loan is requested on a policy with premiums being paid by allotment and the records reveal that the allotment being received is short of the monthly premium, the policy service clerk will compute the total shortage through the premium month in which the loan is to become effective.

(1) When the premium shortage is more than the loan value, the loan application will be disapproved and the insured notified.

(2) When the premium shortage is less than the loan value, the loan will be manually processed and the shortage deducted from the amount payable. The amount of shortage deducted from the loan will be established

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as a pending 211 item, to be used when the allotment has been adjusted - A frozen 120-day callup diary with a 953 callup code will also be inserted with the message, SHORT DED FR LN. The diary will then be used for follow-up action for the allotment adjustment. The insured will then be advised of the action taken and that he or she should have the allotment adjusted.

### **8.05 LOAN REQUESTS WITH FUTURE EFFECTIVE DATE**

a. When an acceptable loan application, either formal or informal, is received and the insured requests a future loan effective date, take action as follows:

(1) Prepare VA Form 29-5895a, Pending Transaction Input, using transaction type 008, to insert a diary message FUTURE LOAN DAT with a callup date 10 days prior to the requested loan effective date.

(2) Notify the insured by dictated letter that the loan application has been received and VA records have been noted to comply with his or her request. Assure that the policy will be eligible for a loan on the date requested.

(3) The loan application, with a copy of the letter, will be stamped Ready for File, signed, dated and filed in the insurance folder.

b. When the record printout is received 10 days prior to the requested loan effective date, obtain the insurance folder and process the loan to comply with the request. In addition, delete the future date diary.

c. The above procedures do not apply if reinstatement of insurance is involved.

#### **8.06 MANUALLY PROCESSING FORMAL AND INFORMAL APPLICATIONS FOR POLICY LOAN**

##### **INVOLVING REINSTATEMENT**

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a. Examine the RPO and application(s) to determine if the insured mailed a direct remittance to cover part of the cost of reinstatement.

b. If dividends are to be applied in connection with reinstatement, prepare VA Form 29-394, Dividend Transaction Input Card, or VA Form 29-8528, Paid Dividend/Dividend History, to manually authorize dividend years, to the date of reinstatement.

c. Prepare VA Form 29-1468b for the amount of loan requested. Enter the [postmark] date of [the] reinstatement as the effective date of loan if it is a no-check loan. If there is a check to be disbursed, the effective date of loan will be the date the loan check is mailed.

d. Prepare input documents to insert and/or correct the master record and make any necessary adjustment in control accounts involved.

#### **8.07 PROCESSING REQUESTS FOR CANCELLATION OF APPLICATION FOR A POLICY LOAN**

a. Upon receipt of the request for cancellation, associate it with the insurance folder.

b. If the loan was manually processed and the voucher has not been released in a check case, or if the notice of approval in a no-check case has not been released, take action as follows:

(1) Enter Canceled Per Request Dated \_\_\_\_\_, on the application.

(2) The request will be stamped Ready for File, signed, dated and filed with the application in the insurance folder, if the insured does not request return of the application.

(3) Void any preliminary action taken in processing the loan. 5

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(4) Release a letter to the insured advising of the action taken.

c. If the voucher has been released, advise the insured why [the] request cannot be complied with and how he (or she) may repay the loan in full.

**8.08 PROCESSING REQUESTS FOR CANCELLATION OF AN OUTSTANDING LOAN, WITH TD FORM 1664X, RETURNED CHECK NOTICE, ATTACHED**

a. Examine all records involved in granting the loan and determine whether:

- (1) The loan was granted in error, or
- (2) The request for loan was misunderstood, or
- (3) The elapsed time between receipt of the request for loan and the actual granting of the loan was unreasonable (more than 10 workdays), or
- (4) The request for loan was signed by an insured who is incompetent or insane, or
- (5) The check was returned as undeliverable and cannot be remailed immediately, or
- (6) The check was issued in foreign currency.

b. Process as follows if the request for cancellation meets any of the conditions in subparagraph a above:

- (1) Stamp Canceled on the loan application, remove it from the insurance folder and, if requested, return it to the insured.
- (2) Punch holes, using a two-hole punch, at the bottom of the TD Form 1664X.
- (3) On the reverse of the TD Form 1664X place a rubberstamp impression showing the following

information:

Check is proper for cancellation.

On-Tape

Reason for Cancellation

Off-Tape (No input)

For off-tape cancellations, indicate below the purpose for which check was originally issued:

Dividend \_\_\_\_\_  
Year \_\_\_\_\_

Cash Surrender  
Other (Explain)

RO # \_\_\_\_\_  
XC # \_\_\_\_\_

Premium Refund  
Policy Loan

SF 1098 Number \_\_\_\_\_

\_\_\_\_\_  
Signature of Authorizing Employee

(4) Complete the above-stamped impression by entering all necessary information except the SF 1098, Schedule of Canceled Checks, number.

(5) Take the following action to cancel the loan on the master record:

- (a) Examine VA Form 29-1468b, which was prepared when the loan was granted.
- (b) Prepare input documents to delete the present loan from the master record: and restore all fields affected by the granting of the loan to their status before the loan was granted.

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(6) Forward TD Form 1664X, insurance folder and all supporting documents required for the cancellation of the loan to the Voucher Audit activity.

c. If granting the loan was in order, process as follows:

(1) Prepare TD Form 1664R, Request To Mail Returned or Held Check, in triplicate. In addition to other

entries on the form, enter the insurance numbers under Additional Remarks.

(2) Compute interest to a date sufficiently in advance to permit the insured to mail his payment to repay the loan in full.

(3) The TD Form 1664X will be stamped Ready for File, signed, dated and stapled to the triplicate copy of TD Form 1664R and filed in the insurance folder.

(4) Attach original and duplicate of TD Form 1664R to insurance folder and:

(a) Prepare a dictated letter to advise the insured that the loan was granted at his or her request and cannot be canceled. Also, that he [or she] may repay the loan by endorsing and returning the check with a remittance to cover the interest due.

(b) Send the material to the Voucher Audit [activity] for release of original and copy of letter, together with the original and duplicate copy of TD Form 1664R, to the Treasury Department.

**8.09 PROCESSING LOAN CHECKS RETURNED BY AN INSURED ADVISING THAT LOAN IS NOT DESIRED**

a. When VA Form 24-4472, Returned Check Worksheet, is received from the local agent cashier, Finance and Data Processing Division, examine the records as outlined in paragraph 8.08a.

b. When granting of the loan was proper, return the VA Form 24-4472 with instructions for deposit and application to the loan as of the postmark date of return. In addition, release a dictated letter to advise the insured of the action taken.

c. When granting of the loan was not proper, cancel the check and loan and advise the insured of the action taken. Accomplish the cancellation as outlined in paragraph 8.08b.

**8.10 PREPAYMENT OF POLICY LOAN INTEREST**

a. When the Collections Section, Finance and Data Processing Division, receives a remittance with a request for it to be applied to pay interest in advance on a policy loan, they will assign a code 2 to the collections input. This will cause the posting to go pending. The request will be forwarded to the Policy Service Section.

b. When the request is received and the payment, sufficient to pay a full year's interest and appears as a pending posting, the following documents will be prepared:

(1) VA Form 29-5895a, transaction type 098, to delete the pending item.

(2) VA Form 29-5894a or 29-8525, transaction type 085 to capitalize and update the interest year.

(3) VA Form 29-5894a or 29-8525 (second day release) to apply the amount of the payment.

(4) VA Form 29-5895a, transaction type 008, to insert a nonfreeze diary with the message LOAN INT. PREPD. The last digit of the interest year will also be entered in the diary message. The callup date should be 120 days from the current date. At the end of 120 days, delete and reinsert another 120-day diary. This action will continue until the loan anniversary date of the interest year indicated is reached.

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(5) VA Form 29-1 461, Payment Receipt, will be prepared to reflect the application of the payment to the loan interest.

*NOTE: If the loan payment has been applied by the system but not in the manner requested by the insured, input will be prepared to reverse the erroneous action and reapplied as outlined above. The corrected receipt will be completed to show the following legend: REPLACES RECEIPT PREVIOUSLY FURNISHED SHOWING SAME PA DATE AND AMOUNT INDICATED ABOVE.*

c. The input and all related material will be forwarded to the Voucher Audit activity for review.

d. When the request is received and the payment is insufficient to pay a full year's interest, the insured will be advised that partial payment of interest is not permitted. In addition, the insured should be afforded the opportunity of changing the effective date of the loan to a date in December.

(1) If the insured accepts the arrangement of changing the effective date of the loan, the loan account will be adjusted. Interest accumulating to the date of the new loan in December will be calculated, and any payments made for interest purposes will be applied to interest and a receipt issued showing amount of interest paid. All payments made subsequent to the anniversary loan date in December, will be applied to reduce the loan principal except those payments which are made in response to interest billing in December of each year. These payments will be applied to interest in the amount then due and a receipt will be released.

(2) In addition to the adjustment of the interest (as stated in subpar (1) above), VA Form 29-1468b showing the new loan effective date will also be mailed to the insured.

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#### **8.11 LOAN WITH DIRECT REMITTANCE TO PAY PREMIUMS**

a. When a loan, together with a direct remittance, is to be applied to pay premiums, the Policy Service [technician] will prepare the following input documents and insert them into the ADP system on the same processing day:

(1) VA Form 29-5895a, Pending Transaction Input Card, or VA Form 29-8526, Pending Transaction, to delete the pending item.

(2) VA Form 29-5893a, Premium Input Card, or VA Form 29-8523, Premium/TDIP, to insert the pending remittance as 5 an overage.

(3) VA Form 29-323, Disbursements, or VA Form 29-852 1, Disbursements, to initiate processing of the loan. The ADP system will make all necessary calculations.

b. The Voucher Audit [activity], after completing their processing, will return the insurance folder and the RPO, reason code 080, to the Policy Service Section.

c. Upon receipt of the folder and the RPO, the Policy Service [technician] will prepare the following input documents:

(1) VA Form 29-5895a or 29-8526 to delete the pending items. (The loan amount has been processed in pending as a result of the input in subparagraph [a] (3) above.)

(2) VA Form 29-5893a or 29-8523 to update the premium segment (the overage is used together with the premium loan applied to update the account).

#### **8.12 COMPUTING INTEREST ON LOAN AFTER POLICY MATURES**

a. When a policy matures (death, matured endowment, total permanent disability, or cash surrender) just before or just after the loan anniversary date, the date of the maturity must be considered in computing the interest on the loan. (Annual interest on policy loans is

capitalized 2 days prior to the loan anniversary date for domestic addresses and 30 days prior for foreign addresses.)

b. When a policy matures before the loan anniversary date and annual interest has been capitalized for the current loan year, it will not be reversed. Instead, interest will be computed on the loan account balance prior to annual interest capitalization from the date of maturity to the loan anniversary date. This interest is a credit and will be subtracted from the loan account balance after the annual interest was capitalized to determine the loan indebtedness on the maturity date.

c. When a policy matures after the loan anniversary date (including the first 20 days), interest will be computed on the loan account (loan plus annual interest) from the loan anniversary date to the date of maturity. The interest is added to the loan account balance after annual interest has been capitalized to determine the loan indebtedness on the maturity date.

### **8.13 PROCESSING LOAN WITH CLAIM FOR TOTAL PERMANENT DISABILITY BENEFITS PENDING**

a. A loan cannot be granted after a USGLI (U.S. Government Life Insurance) policy matures because of TPD (Total Permanent Disability). Therefore, action will not be taken simultaneously on an application for a loan and a claim for TPD benefits. Whenever an application for a loan is received while such a claim is pending, a complete explanation must be furnished the insured. He [or she] will be told the application for a loan will be held pending until a determination is made on the claim. If he [or she] insists on the loan, it will be necessary for him [or her] to withdraw the claim. This applies regardless to which action was received first by the VA. In any case, all action will be suspended until the insured makes his [or her] desires known.

5 b.

When an application for a loan is received while a claim for

(1)

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insert a 30-day diary on the tape. The diary message is LOAN PENDING. The master record will not be frozen. The VA Form 29-5895a or VA Form 29-8526 will be inserted as input in the next processing day number.

(2) The loan application, RPO and/or folder will be hand carried to the Insurance Claims Section for preparation of a letter of explanation to the insured.

(3) When the records are returned by the Insurance Claims Section, the loan application will be processed or canceled, depending upon the instructions with the records.

### **8.14 PROCESSING LOAN WITHOUT INSURANCE FOLDER**

a. Upon receipt of an application for a loan, formal or informal, which has been associated with an RPO, and there is no record of the folder or it is charged out, a search will be made to locate the folder [(see M29-1, part VIII)]. If it cannot be located within 1 workday, the material will be noted accordingly and forwarded for processing of the loan.

b. A search slip will be prepared showing the type of action pending and the date the material was forwarded for processing. The search for the folder will be continued.

c. When the folder is located, it will be held until the material is returned. If the material is received prior to locating the folder, it will be held until the folder is located. When the material has been associated with the folder, the case (material and folder) will be returned to the unit that processed the loan for review and any additional action necessary.

d. If the loan check is to be sent to an address that is different from the one of record, the signature of the insured on the loan application must be verified prior to processing of the loan.

e. In those instances when the signature of the insured must be verified and the folder has not been located, every effort will be made to obtain a microfilm print or photocopy of documents available to the local office, bearing the insured's signature. Microfilm prints are available from the following sources:

(1) Beneficiary and option designations if beneficiary designation reel number is in the master record.

(2) Remittances.

f. If verification of the signature cannot be made, FTS (Federal [Telecommunications] System) may be used to contact the insured to authenticate the loan. The loan application will be appropriately noted.

g. After action has been completed, a VA Form 3230, Reference Slip, will be noted in red, SPECIAL MAIL - ATTACH FOLDER, attached to the material and routed to the Voucher Audit [activity] or [Insurance Files Section] for filing in the insurance folder, as appropriate.

#### **[8.15 PROCESSING RPO REJECT REASON CODE 644**

a. When action is taken to initiate automatic processing of a maximum loan and the reserve on the basic policy, and the reserve on the paid-up additions equals or exceeds \$10,000, the system will generate an RPO with reason code 644.

b. When the above condition exists, and the total amount of the 5 percent loan will exceed \$9,999.99, the face amount of the policy must be equally divided into two contracts. When it is necessary to divide the contract, the following actions will be taken:

(1) Forward the records to MASU (Miscellaneous Accounts and Service Unit) for a new policy number, and request a frozen RPO.

(2) Upon receipt of the new policy number and the frozen RPO, prepare VA Form 29-328, Underwriting Worksheet, to show the division of the contract.

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(3) Prepare inputs to reduce the basic policy, paid-up additions, and any existing loan(s) **by** one-half.

(4) Prepare inputs to insert the amount of insurance, paid-up additions and/or existing loans which were reduced under the new insurance number. Insert the beneficiary and option reel number shown on the basic policy.

(5) Remove the life and/or policy freeze. Request a follow-up RPO and when received, authorize maximum loans on both policies. Use 607 or 617 transaction type with a computation code "1."

(6) Send a dictated letter to advise the insured of the action taken. Prepare two VA Forms 29-336, Designation of Beneficiary and Optional Settlement, one for each policy and enclose them with the letter. **Also** advise that computer 5 generated policies, one for each contract, will be sent under separate cover.]



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**CHAPTER 9. CASH SURRENDERS**

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## CHAPTER 9. CASH SURRENDERS

### 9.01 GENERAL

a. VA Form 29-1546, Application for Cash Surrender Value, and VA Form 29-5772, Loan and Cash Surrender Values, are applications designed for requesting a surrender of a policy. A letter containing a specific request for a surrender over the insured's signature may be considered as an informal application. Other documents will be received requesting information on surrender values, cancellation of applications for surrender and cancellation of surrenders where the check has not been cashed. These applications will be received and processed in the Policy Service Section.

b. If the correct insurance folder is not located or if no folder is attached to the document or if no folder is attached, take action to obtain it. A VA Form 29-58 86 Insurance Record Print out (RPO), should also be available before an input document is introduced into the system to process the surrender.

c. When there will be a delay in processing the application or communication, release FL 29-108 to the insured and note the application accordingly. When records are located in the other office, airmail the application or correspondence to that office.

d. Upon receipt of a surrender application, either formal or informal, which has been associated with an RPO, and there is no record of the insurance folder, authority for processing the surrender without the folder will be vested with the Chief, Policy Service Section. The surrender may be processed without verification of the signature if the check is to be mailed to the address of record. The signature will be verified in these cases when the folder is subsequently associated with the insurance folder. Verification of signature will be made prior to processing when the check is to be mailed to an address other than the address of record. When verification of signature is necessary before action can be taken, every possibility will be pursued to obtain a microfilm print or photocopy of documents available in the office bearing the insured's signature. If verification of the signature cannot be obtained, FTS may be used to contact the insured at the address to which the check is to be mailed to authenticate the action to be taken. The application will be appropriately noted.

e. The signature on the application must be compared with the insured's witnessed signature on records in the insurance folder to determine that the application was made over the written signature of the insured. When it is apparent that the signature is not the insured's, or that the signature is questionable, release a dictated letter to the insured asking for verification of the application for cash surrender. The letter will state that the signature on the application appears to be different from that on file. Enclose another application and request the insured to have signature on the new application witnessed by a VA representative or by one disinterested person. The address of the witness should also be stated. The letter will clearly indicate that the request for a new application is being made solely to protect the insured's interests. Diary the case for 30 calendar days. If no reply is received from the insured, the application bearing the questionable signature will not be processed.

f. When a question of the insured's competency arises in connection with a surrender application, take the following action:

(1) Request the Disability Determination Unit to determine whether the insured is competent or incompetent. Include type and amount of pending disbursement in the request.

(2) The Disability Determination Unit will return the case with the insurance folder for further processing after determination is made.

g. The computer will not process cash surrenders in the following types of cases:

(1) The how paid code is 1 or 5.

(2) There are more than two policies and an insurance overpayment lien exists on any of the policies.

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(3) Policy to be surrendered is on 724 waiver.

(4) A pending transaction exists for policy to be surrendered, or there is a pending transaction not identified by policy number.

(5) Life or policy is frozen on account to be surrendered.

(6) Any case where application is submitted after expiration of 31-day grace period. The 46- or 61-day rule is not applicable.

(7) Unearned premiums are to be included in surrender settlement, and the TDIP fund is different from the policy fund.

(8) Master record indicates other indebtedness or incompetency.

(9) The application is for a partial surrender for cash.

(10) Deduction amount is not equal to the total premium. (How paid codes 3 and 6)

(11.) Deduction is not paying premiums on a month-to-month or 1-month-in-advance basis. (How paid code 3 or 6)

(12) The policy is less than 1 year, and has no surrender value.

(13) The policy is 5-year level premium term.

(14) Account has off-tape indebtedness or statutory lien.

(15) Returned mail indicated.

(16) Action type indicates impending automatic surrender.

(17) Policy not in a multiple of \$500.

(18) Dividend year is earlier than the effective date of surrender.

Next month due for TDIP is different from the i insurance next month due.

*: When action is taken to initiate automatic processing and edits are not met, an RPO will be generated with a reason code in the 600 series.*

h. All accounts, except allotment and DFB accounts, which are cash surrendered by automatic system processing, are immediately purged from tape. Allotment and DFB accounts are not purged immediately. Instead, the how paid code is automatically changed to l and the account frozen with a 953 CS diary pending receipt of the deduction discontinuance. When the discontinuance is received, the system will automatically delete the diary and generate a reason code 100 and/or 107 RPO for clerical analysis. All accounts which are manually cash surrendered are immediately purged from tape when the surrender is processed.

i. When a VA Form 29-1546 or 29-5772 is released to an insured, a self-addressed kraft envelope will be enclosed for his use. When the kraft envelope is returned by the insured, it will be selected and processed before the routine mail. All cash surrender applications will be handled on a priority basis.

## 9.02 PROCESSING REQUESTS FOR INFORMATION ON CASH VALUES

a. Information on the cash value of a policy is furnished the insured upon request or when the loan value of

the policy is being furnished.

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Advance Manual Change No. 6-83

July 5, 1983

### Chapter 9 - Cash Surrenders

A. Change: M29-1, Part II, Chapter 9. This Advance Manual Change is issued in conjunction with Advance Manual Change No. 18-83 in MP-6, Part II, Supplement No. 1.4, which expands the use of RPO Reason Code 644 to apply to cash surrender transactions rejected because of loan indebtedness exceeding \$10,000. M29-1, Part II, which contains a listing of conditions under which the system will not process cash surrenders, is updated accordingly.

B. Procedures: Page 9-2, add the following to subparagraph 9.01g:

(20) Loan indebtedness exceeds \$10,000.

C. New or Revised

Insurance Forms: None

DISTRIBUTION:

|             |     |
|-------------|-----|
| 335/29      | 80  |
| 310/290     | 55  |
| 310/291     | 200 |
| 310/Library | 1   |
| 244C        | 10  |

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b. [For computer system processing,] VA Form 29-323, [Disbursements,] or VA Form 29-8521, [Disbursements,] transaction type 603, [is prepared. Computation code 3 is entered in block 74 on VA Form 29-323 or in the RPO Req block on VA Form 29-8521. The computation date is entered in blocks 22-26 of VA Form 29-323 or the Postmark(Computation Date field on VA Form 29-8521. It is an AS OF date.]

c. [The computer system will make the necessary computations and generate a completed VA Form 29-5772, including the net cash and net loan values. The net cash value is the maximum cash value minus the indebtedness (loans, accumulated interest, premium shortages, liens, including overpayment liens on another policy of the insured). If the indebtedness exceeds the loan value, zeros will be printed in the NET LOAN block.

[d. When any of the following conditions are indicated, clerical processing is required:

- (1) There is a life or policy freeze.
- (2) Level premium term insurance.
- (3) Account has off-tape indebtedness or statutory lien.
- (4) Incompetency is indicated.
- (5) Insurance is lapsed including extended insurance.
- (6) Day number cannot be calculated from input data.
- (7) Policy not in force 1 year.
- (8) Action type indicates impending automatic surrender.
- (9) Returned mail indicated.
- (10) Overpayment lien in effect on another policy of the insured.
- (11.) Loan interest not capitalized.

*NOTE: If input is inserted into the computer system when any of the above conditions are on the master record, the input will be rejected and an RPO, reason code 611, generated for clerical pro processing.*

e. Clerical processing to provide information on the cash value of a policy:

(1) If the plan of insurance is 5LPT, or if a permanent plan policy has been in force for less than 12 months, a- FL 29-108 is prepared and released. On a permanent plan, the cash value at the end of the first policy year is included.

(2) If premiums are paid through or beyond the current premium month, compute the cash value as follows:

(a) Determine the period of time (years and months) the policy will have been in force from the effective date through the prospective premium month in which the cash surrender will be requested.

(b) Using the plan of insurance, the age of the insured on the effective date of the policy, and the years and months the policy will have been in force, obtain the fractional reserve value per \$ 1,000 of insurance. (See par. 8.03e(2)(b) for list of manuals containing fractional reserve values.)

(c) Multiply the fractional reserve value per \$ 1,000 of insurance by the thousands of insurance and add, if available, any dividend credit/deposit balance on the account. This is the maximum cash value.

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(d) Subtract the indebtedness (loans, accumulated interest, premium shortages, liens, including an insurance overpayment lien on another policy of the insured). This is the net cash value.

(e) To compute the net loan value refer to chapter 8, paragraph 8.03.

(3) Where a form, MTST, or a dictated letter is released manually, the net cash value and the net loan value will be furnished.

(4) When it is necessary to process the cash value of paid-up insurance clerically, a VA Form 29-320, Request for Calculation, will be prepared and sent to the Actuarial Computers for computation.

(5) If there is Other indebtedness indicated, obtain amounts and types. Compute interest, when applicable, through the prospective date of cash surrender.

(6) If the insured is incompetent, a dictated letter will be released to the Chief Attorney of the appropriate regional office. The cash value available through the prospective premium month in which the cash surrender will be granted will be included in the letter.

(7) VA Form 29-5772 will be prepared and released in all instances where it is not indicated that a dictated letter or VA FL 29-108 is to be released. The insured's letter will be enclosed with the reply.

(8) If the insured requests additional information, the reply will be by dictated letter. If the insured's letter contains information of record value, it will be stamped Ready for File, signed, dated and sent to be filed in the insurance folder. Otherwise, it will be disposed of in accordance with Records Control Schedule VB-1.]

**9.03 PROCESSING FORMAL AND INFORMAL APPLICATIONS FOR CASH SURRENDER BY THE COMPUTER**

a. VA Form [29-323] or [ ] 29-8521 [is prepared] to initiate system processing of a cash surrender [ ].

b. When VA Form [29-323 is prepared] to initiate system processing of the cash surrender and the check is to be mailed to an address different from that in the master record, [ ] VA Form 29-322, [Disbursement] Address or Trailer Input, [will also be prepared]. When the address on the application is intended as an address change for [ j insurance purposes, [ l VA Form 29-5934, Change of Address for

Insurance Purposes, [will be prepared] in lieu of VA Form 29-322. VA Form 29-8521 contains an area to be used when addresses are involved.

c. When action is not initiated [for] system [processing of the cash surrender] , [ ] a request for an RPO [will be prepared] and [ ] the master record [frozen.]

d. When preparing VA Form [29-323] or [ ] 29-8521 to initiate system processing of a cash surrender, transaction type 615 will be used only after reviewing the records to be sure that all of the following conditions are adequately covered:

(1) That overpayment lien on another policy will be paid from the proceeds of the cash surrender.

(2) That cash surrender may be processed under certain conditions even though there was loan activity within the last 20 days.

(3) Overages of \$25 or more or shortages in excess of 29 percent of a monthly 1?premium have been clerically validated on deduction accounts.

*NOTE: If any of the above conditions are not involved, transaction type 605 will be used.*

e. After input documents are prepared to initiate system processing of the cash surrender, send with all material to the Voucher Audit Unit for review and verification.

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f [Cash surrender of an endowment policy with both paid-up life and paid-up endowment additions will be processed as follows:

(1) To surrender the parent policy and both paid-up additions, VA Form 29-323, Disbursements, or VA Form 29-5886b, RPO (Insurance Record Printout), will be prepared using the appropriate transaction type (605 or 615) with computation code 1.

(2) To surrender the parent policy and the paid-up endowment additions, VA Form 29-323 or VA Form 29-5886b will be prepared using transaction type 605 or 615 with computation code 2. The paid-up life additions will remain on the master record. When an endowment policy is surrendered for cash, its paid-up endowment additions must be surrendered also.

g.] When the cash surrender is processed, the system will [generate] VA Form 29-332, Notice of Cash Surrender. [ ]The original is released [to the insured] by the Voucher Audit Unit and the duplicate is filed in the insurance folder.

#### **9.04 MANUALLY PROCESSING FORMAL AND INFORMAL APPLICATIONS FOR CASH SURRENDER**

a. Review the cash surrender application for acceptability.

b. If the RPO does not indicate Insured Incompetent or indicates Incompetent but no Guardian Appointed, or material in the insurance folder or accompanying correspondence indicates the insured is incompetent, or may be, send the material to the Disability Determination Unit for a decision.

c. If there is other indebtedness, obtain amounts and type. Withhold the necessary amount from the cash surrender value to offset the indebtedness.

d. If there is evidence of a Disbursement Pending, check the liability master record for the number and types of disbursement. Take necessary action to include the amount of such disbursements in the net amount payable.

e. If the insured has other policies in force, check for any outstanding insurance overpayment liens for the other policies. If a lien exists, deduct the amount of the lien automatically. Send a dictated letter to the insured advising him of the action taken. The letter will grant the insured the opportunity of returning the check.

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f. If the how paid code in the master record is 5 and/or there is an active disability award, release a dictated letter to the insured covering:

(1) The advisability of retaining the insurance and that the TDIP benefits will be discontinued by the cash surrender action.

(2) The fact that h-may obtain a loan up to 94 percent of the cash value.

(3) That his application will not be processed unless he reaffirms ht- request.

4 (a) If the request is reaffirmed, send the material to the insurance officer, or a designee, for final approval to

process the surrender.

(b) If approval is granted, process the surrender as prescribed.

g. If the insurance is in force under premium-paying conditions, check the amount and date of the last transaction.

(1) If the amount of the payment was less than \$100 and less than 20 days have elapsed since it was made, and there is no history of dishonored checks; i.e., not more than one returned check within the last 2 years, process the application without delay.

(2) If the amount of the payment was \$ 100 or more, and less than 20 days have elapsed since it was made, determine if payment was made by personal check. If so, withhold vouchering of the surrender check until bank clearance of the remittance is assured. Advise the insured about the delay and the reason therefore. If the remittance was not a personal check, process the application without delay.

h. Under NSLI, if the premiums are not paid through the premium month of surrender, check for Administrator's Decision 902 or dividend credits. If any, apply to the unpaid premiums. Under USGLI, a request will be honored anytime within 3 months from an unpaid premium, and the reserve value in this instance would cover the period through the day before the next premium was due.

i. If the how paid code is 2 (Reduced Paid-Up Insurance) or 4 (Extended Insurance), request the cash value of such insurance on VA Form 29-320, Request for Calculation, and attach to the RPO.

j. If dividends are due for the current and/or prior years, and for the months from the last policy anniversary date through the Value As Of Date (surrender date), compute the amount of all such dividends.

k. If annual interest is due on dividend credits and/or deposits but has not been added, compute and enter the amount due in the Interest Amount block of the dividend credit/deposit segment. If interest has been added but is not due, reverse the interest addition.

l. If interest has been added on the loan and/or lien beyond the day following the date through which the cash value is established, compute the amount of interest credit due.

m. If interest is due on a loan and/or lien, compute the amount due from the day after the loan and/or lien effective date, or the day after the anniversary date, whichever is later, through the day after the Value As Of Date. Enter the amount due in the Interest Amount block.

n. If section 724 waiver is in effect, attach VA Form 29-320 to the RPO and send to the computers requesting a calculation of the pure insurance risk credits due through the Value As Of Date.

n. If processing a surrender on an allotment or DFB account, place the notation (Month-Year) included in , to indicate the last deduction taken into consideration when processing the surrender.

- p. If an informal application is acceptable, stamp, date and initial the application as below:

Accept as Informal Application for Cash Surrender

(Date of Acceptance)

(Initials of person  
authorizing acceptance)

Date

Initials

Authority for acceptance is limited to the Chief, Policy Service Section or higher.

g. If the application is approved, note the application approved, date and sign. A namestamp may be used in lieu of signature.

- r. When the cash surrender is approved, VA Form 29-332 will be completed as follows:

IDENTIFICATION SEGMENT:

(1) The name and address of the insured should be entered in the space provided on the form, if check is to be issued to the insured. If check is to be issued to the insured's legal representative, enter (Richard Doe), Guardian for (John Doe).

(2) File Number. Enter file number including letter prefix.

(3) Policy No.-Prefix-Last 3 Digits. Enter letter prefix for policy number and last three digits of policy number.

POLICY SEGMENT:

(1) Date of Issue-Mo.-Day-Year. Enter month, day and year policy was effective.

(2) Amount. Enter face amount of insurance.

(3) Plan. Make entries as follows:

(a) If policy is being surrendered under premium-paying conditions, enter plan.

(b) If under extended insurance, enter EXT. INS.

(c) If reduced paid-up or paid-up endowment, enter Pd-up Life or End.

(4) Age. Make entries as follows:

(a) If surrendered under premium-paying conditions, enter insured's age at issue.

(b) If extended insurance, enter insured's age at date of lapse.

(c) If reduced paid-up life or reduced paid-up endowment, enter insured's age at effective date of such paid-up insurance.

(5) Amount Surrendered. Enter same amount as shown in Amount.

(6) Amount Retained. Enter NONE.

(7) Surrender Value. Enter surrender value.

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(8) Effective Date of Surrender-Mo.-Day-Yr. Enter date of surrender.

## CREDIT SEGMENT:

(1) Plan changed from- \_\_\_\_\_ to- \_\_\_\_\_. Leave blank.

(2) Reserve Value. Enter the amount of reserve calculated. ( j

(3) Difference in Reserve. Leave blank.

(4) Unpaid Dividends. Enter amount of unpaid dividends and dividend year(s) to which they are to be

charged.

(5) Unearned Premiums Plus Overage. Enter amount of all unearned premiums, and premium overages.

(6) Dividend Credit/Deposit. Enter balance shown in dividend credit/deposit segment.

(7) Interest Credit. Enter amount of interest earned on dividend credit/deposit balance(s).

(8) Pure Ins. Risk Credits. Enter amount of pure insurance risk credits and interest calculated.

(9) Total Credits. Enter total credits.

## DEBIT SEGMENT:

(1) Policy Loan. Enter loan balance.

(2) Loan Int. to Date of Surrender or Change. Enter amount of interest computed.

(3) Lien Principal. Enter amount of premium and/or insurance overpayment lien(s).

(4) Lien Int. to Date of Surrender or Change. Enter amount of interest due on lien indebtedness.

(5) Unpaid Premiums. Plus Shortage to Date of Surrender or Change. Enter amount of unpaid premiums plus shortages.

(6) Difference in Reserve. Leave blank.

(7) Other. Enter amount of Finance Indebtedness, Service Department Indebtedness or Internal Revenue Service Indebtedness.

(8) Total Debits. Enter total debits.

(9) Net Amount Payable. Enter difference between amounts in Total Credits and Total Debits.

#### **9.05 PROCESSING REQUESTS FOR CANCELLATION OF APPLICATION FOR CASH SURRENDER**

a. Upon receipt of the request for cancellation, associate the request with the application for cash surrender and the insurance folder.

b. If cancellation of the application is approved, take action as follows:

(1) Enter Canceled per request dated \_\_\_\_\_, on the application for cash surrender.

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(2) File the request, after being stamped Ready for File, signed and dated, in the insurance folder with the application, if the insured did not, request return of the application.

(3) Void any preliminary action taken in processing the application.

(4) Notify the insured of the action taken.

c. If the voucher has been released but the request for cancellation was mailed before the date of the voucher, request the insured to return the check when he receives it. The letter should contain the following statement:

We wish to stress that the return of the deck representing the proceeds of the surrender will not in itself be considered as an obligation on the part of the Veterans Administration to set aside the surrender of the insurance.

#### **9.06 PROCESSING REQUESTS FOR SURRENDER CANCELLATION, WITH TD FORM 1664X, RETURNED CHECK NOTICE, ATTACHED**

a. Upon receipt of the request for cancellation with TD Form 1664X attached,, associate with the application for cash surrender and the insurance folder.

b. If cancellation of the application is approved, take action as follows:

(1) Enter Canceled per request dated \_\_\_\_\_, on the application for cash surrender.

(2) Punch holes, using a two-hole punch, at the bottom of the TD Form 1664X.

(3) On the reverse of the TD Form 1664X, place a impression showing the following information:

`v,

Check is proper for cancellation.

El On-Tape

Reason for Cancellation

El Off-Tape (No input)

For off-tape cancellations, indicate below the purpose for which check was originally issued:

|                      |                                   |           |
|----------------------|-----------------------------------|-----------|
| Dividend _____       | Cash Surrender _____              | RO# _____ |
| Year _____           | Other (Explain) _____             | XC# _____ |
| Premium Refund _____ |                                   |           |
| Policy Loan _____    |                                   |           |
| SF 1098 Number _____ |                                   |           |
|                      | _____                             |           |
|                      | Signature of Authorizing Employee |           |

(4) Complete the above-stamped impression by entering all necessary information except the SF 1098, Schedule of Canceled Checks, number.

(5) Prepare input documents to restore the account on the master record and to reverse debit and credit actions taken when the surrender was processed.

(6) Send the TD Form I664X, insurance folder and all supporting documents required for the cancellation of the surrender to the Voucher Audit Unit.

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#### 9.07 ESTABLISHING ACCOUNTS RECEIVABLE FOR OVERPAID CASH SURRENDERS

a. Overpayments in cash surrender transactions may result from:

- (1) Premiums not paid to date of surrender due to premature stoppage of deductions.
- (2) Error in calculation of reserve, unearned premiums, dividends, etc.
- (3) Wrong date of surrender.
- (4) Failure to deduct an outstanding indebtedness such as loan, lien, etc.

b. The procedure for establishing an Accounts Receivable indebtedness applies only where the insured has no other active policies in force. If there are other active policies, follow regular lien procedure.

#### [9.08 PROCESSING SURRENDER FOR PAID-UP INSURANCE

a. When paid-up insurance information is to be computed and released to the insured by the computer system, the following action will be taken:

- (1) VA Form 29-323 or 29-8521, transaction type 603, is prepared. Computation code 2 is entered in block 74 of VA Form 29-323 or in the RPO Reg. block of VA Form 29-8521. The computation date is entered in blocks 22-26 of VA Form 29-323 or the Postmark/Computation Date field of VA Form 29-8521. It is an AS OF date.

(2) The computer system will generate a VA Form 298348, Information About Your Insurance, with the following completed paragraph:

THE RESERVE OF \_\_\_\_\_ ON YOUR POLICY AS OF \_\_\_\_\_  
LESS LOAN AND INTEREST OF \_\_\_\_\_ PLUS YOUR DIVIDENDS AND INTEREST OF \_\_\_\_\_  
WILL PURCHASE PAID-UP INSURANCE IN THE AMOUNT OF \_\_\_\_\_

(3) The loan and dividend data will be printed only when such segments are in the master record.

b. When any of the following conditions are indicated, clerical processing is required:

- (1) There is a life or policy freeze.
- (2) Level premium term insurance.
- (3) Account has off-tape indebtedness or statutory lien.
- (4) Incompetency is indicated.
- (5) Insurance is lapsed (including extended insurance).
- (6) Day number cannot be calculated from input data.
- (7) Policy not in force 1 year.
- (8) Action type indicates impending automatic surrender.
- (9) Returned mail indicated.
- (10) Overpayment lien in effect on another policy of the insured.

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- (11.) Loan interest not capitalized.
- (12) How paid code is zero.
- (13) RH contract.
- (14) Endowment at Age 96 contract.

*NOTE: If input is inserted into the computer system when any of the above conditions are on the master record, the input will be rejected and an RPO, reason code 611, generated for clerical processing.*

c. Clerical processing to provide information on the paid-up value of a policy is:

(1) If the plan of insurance is 5LPT, or if a permanent plan policy has been in force for less than 12 months, a VA FL 29-108 is prepared and released. On a permanent plan, the paid-up value at the end of the first policy year is included.

(2) If the policy is eligible for surrender for paid-up insurance, a VA Form 29-320, Request for Calculation, will be prepared and sent to the Actuarial Computers for computation.

(3) Upon return of the VA Form 29-320, an MTST letter with a paragraph as provided in subparagraph a (2) above will be prepared and released to the insured.

(4) If the insured is incompetent, a dictated letter will be released to the Chief Attorney of the appropriate regional office. The amount of paid-up insurance available through the prospective premium month in which the surrender will be processed will be included in the letter.

(5) When the condition preventing the calculation of paid-up insurance is lapsed insurance (including extended insurance), action type indicates impending automatic surrender or how paid code is zero, a dictated letter will be prepared, explaining to the insured why the information cannot be furnished him.

d. When an acceptable application for paid-up insurance is received, the following action will be taken:

(1) If there is no change of address on the application, VA Form 29-323 or the RPO will be the input document. The transaction type is 665 and the returned check history code and the postmark date (cash surrender date) is completed. If the master record is frozen, the input will be rejected.

(2) If there is a change of address on the application, the Policy Service Clerk will prepare VA Form 29-323 or 29-8521. When VA Form 29-323 is used, VA Form 29-322, Disbursement Address or Trailer Input, will also be prepared. In addition to identifying information, the document will be prepared as stated in subparagraph a above. In addition, the address portion will be completed. The mail control block will be left blank.

(3) The computer system will generate a VA Form 29-8348 for release to the insured with the following paragraph:

THE REQUEST TO SURRENDER YOUR POLICY IDENTIFIED ABOVE HAS BEEN APPROVED. THE RESERVE OF \_\_\_\_\_ PLUS \_\_\_\_\_ DIVIDEND DEPOSIT BALANCE (MINUS INDEBTEDNESS) WAS USED TO PURCHASE \_\_\_\_\_ (PAID-UP INSURANCE) OR (PAID-UP ENDOWMENT) EFFECTIVE \_\_\_\_\_ - PLEASE ATTACH THIS INFORMATION TO YOUR POLICY AS A PERMANENT RECORD OF THIS CHANGE.

(4) If any of the following conditions exist, the input will be rejected and an RPO, reason code 665, will be generated. Clerical processing will be necessary.

(a) Not a how paid 9.

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(b) Pending transactions are on the master record for the policy being surrender for paid-up insurance.

(c) Temporary master record.

(d) Incompetent.

(e) Policy frozen.

(f) 5LPT or WL 745.

- (g) Next month due not paid prior to submission of application for paid-up insurance.
- (h) Reserve to be furnished by [Philadelphia VA Center Actuarial Staff (299)] for NSLI-RH or USGLI

Endowment-at age 96.

- (i) Automatic surrender date.
- (j) Returned mail bit on.
- (k) Indebtedness exceeds reserve.
- (l) Unable to calculate reserve.
- (m) RPO generated for other reasons.
- (n) Other indebtedness bit on.
- (o) Dividends due for 2 years.
- (p) Unable to convert effective date to binary.
- (g) Interest adjustment on loan, lien, dividend credit/deposit.
- (r) TDIP segment.

(5) If a refund is to be made due to unearned premiums or dividend credit, and it is to be mailed to an address other than the address on the master record, the case will be processed clerically.

(6) When an application is processed clerically, a VA Form 29-320 will be prepared and sent to the Actuarial computers for computation. When it is returned, the Policy Service [Technician] will have an [AT (automatic typewriter) letter prepared and release it to the insured with a completed VA Form 29-1546a, Notice-Surrender for Paid-Up Insurance Approved, enclosed.

(7) All cases processed mechanically or clerically, whether or not a refund is due, will be forwarded to the Voucher Audit [activity] for a special batch number. Cases will be routed to the Voucher Audit [activity] in two batches:

- (a) All cases processed clerically will be sent with the insurance folder.
- (b) All cases processed mechanically will be sent in a separate batch.

#### **9.09 APPLICATION FOR CASH SURRENDER OF LIMITED PAYMENT LIFE POLICY WITH ALL PREMIUMS PAID AND EARNED**

When an application for cash surrender of a limited payment life policy on which premiums have been paid and earned through the premium-paying period is received, the application will be processed as provided below:

a. When an informal request for cash surrender is received and the request expresses an urgent need for funds, it will be sent to the Policy Service Section for approval to accept it as an informal loan application. When

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approval is given, it will be processed for the maximum loan amount. A conservation type letter will be released to the insured, explaining that the maximum amount of loan has been granted instead of surrendering the policy. (VA Form 29-1546 will be enclosed for [the insured's] use should he or she prefer to surrender the insurance.) The letter will stress:

- (1) Surrendered insurance may not be reinstated or replaced;
- (2) Loan and cash values will continue to increase if policy remains in force; and
- (3) Dividends will be paid as declared on participating policies continued in force.

b. If the request does not indicate an urgent need of funds, process as follows:

- (1) If applicable, release VA Form 29-5772 to the insured.
- (2) If VA Form 29-5772 is not appropriate, a conservation type letter similar to that provided in subparagraph a above will be released, including a reference to any indebtedness that must be collected from the cash value. (VA Form 29-1546 and VA Form 29-1547, Application for Policy Loan, will be enclosed.)
- (3) A diary will not be established since processing of the request is dependent upon the insured.
- (4) If the insured renews the request for surrender, the effective date of cash surrender will be determined

as follows:

- (a) If the request is renewed within 31 days from the date the VA Form 29-5772 or conservation letter was released, the effective date will be based on the date of the original request.
  - (b) If the request is renewed more than 31 days from the date the VA Form 29-5772 or conservation letter was released, the effective date will be based on the date of the current request.
  - (5) If the insured withdraws the request for cash surrender and applies for a loan, by formal application or letter, the effective date of the loan will be based on the date the loan check is drawn by the Treasury Department.
- c. When a formal application is received, if in order, it will be processed without delay except when one of

the following conditions is present:

- (1) Disability waiver is in force; or
  - (2) Claim for disability benefits is pending; or
  - (3) Total permanent disability benefits are being paid.
- d. Upon receipt of an application for cash surrender and one of the exceptions as provided in subparagraph c above is present, the insured will be informed of the seriousness of the act and provided information on the valuable coverage he or she is losing. The surrender will not be processed unless [the insured] confirms he or she still wants the cash value of the policy.

**[9.10 PROCESSING CASH SURRENDERS WITHOUT INSURANCE FOLDER**

- a. Upon receipt of an application for a cash surrender, formal or informal, which has been associated with an RPO, and there is no record of the folder or it is charged out, a search will be made to locate the folder. If it cannot be located within 1 workday, the material will be noted accordingly and forwarded to the Voucher Audit activity for processing of the cash surrender.
- b. A search slip will be prepared showing the type of action pending and the date the material was forwarded for processing. The search for the folder will be continued.

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c. When the folder is located, it will be held until the material is returned. If the material is received prior to locating the folder, it will be held until the folder is located. When the material has been associated with the folder, the case (material and folder) will be returned to the unit that processed the cash surrender for review and any additional action necessary.

d. If the check is to be sent to an address that is different from the one of record, the signature of the insured on the application must be verified prior to processing.

e. In those instances when the signature of the insured must be verified and the folder has not been located, every effort will be made to obtain a microfilm print or photocopy of documents available to the local office bearing the insured's signature. Microfilm prints are available from the following sources:

(1) Beneficiary and option designations if beneficiary designation reel number is in the master record.

(2) Remittances.

f. If verification of the signature cannot be made, FTS (Federal Telecommunications System) may be used to contact the insured to authenticate the request. The application will be appropriately noted.

g. After action has been completed, a VA Form 3230, Reference Slip, will be noted in red, "SPECIAL MAIL- ATTACH FOLDER," attached to the material and routed to the Voucher Audit activity for review or Insurance Files Section for filing in the insurance folder, as appropriate.]



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CHAPTER 10. MATURED ENDOWMENTS

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**CHAPTER 10. MATURED ENDOWMENTS****10.01 GENERAL**

- a. Settlement of the proceeds of a matured contract are payable on the maturity date of a:
  - (1) Twenty-Year Endowment.
  - (2) Thirty-Year Endowment.
  - (3) Endowment at Age 60.
  - (4) Endowment at Age 62.
  - (5) Endowment at Age 65.
  - (6) Special Endowment at Age 96 Plan.
- b. If the account is on extended insurance (how paid 4) on any of the above policies and there is a pure endowment amount payable, it will be paid on the maturity date of the contract.
- c. All other policies will automatically mature as an endowment when protection has been afforded through the end of the age shown on the mortality table.
- d. When the final premium is not paid, it will be offset from the proceeds payable, provided Administrator's Decision 902 or dividend credits are not available.
- e. [(Deleted by change 14.)]
- f. When the system does not release a notice to terminate or change a deduction amount, an RPO reason code 916 will be generated. A VA Form 29-1588, Request for Allotment Deduction Change, on allotment accounts (how paid 6); VA Form 29-5926, Request for DFB Action, on deduction accounts (how paid 3); or a dictated letter on payroll accounts (how paid 8), will be prepared and [released] requesting the necessary change.
- g. and h. (Deleted by change 6.)

**10.02 ((Deleted by change 14.))****10.03 SYSTEM PROCESSING OF MATURED ENDOWMENTS**

- a. All policies that mature as endowments, including those contracts that mature with pure endowment payable, will be paid under Option 1 (lump sum), without prior election of such option by the insured.
- b. Four days before the maturity date of the policy, the system will:

- (1) Insert Option I in the master record.
- (2) Complete the accounting transactions, including those covering unpaid dividends for the current year.
- (3) Delete the insurance master record.
- (4) Establish an insurance pending award master record.
- (5) Create the input documents needed to establish the award master record.

10-1

**change 14**

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- (6) If the returned mail bit is not on, effect Payment of the endowment or the Pure endowment.
- (7) If the amount Payable Is more than \$2,500, generate a VA Form 29-5767, Matured Endowment This form advises the insured that if he or she wants to receive the Proceeds under an installment option, [the] check should be returned for cancellation. On the reverse of the form he or she may designate a beneficiary to receive the unpaid guaranteed installments at death.
- (8) If the amount payable is \$2,500 or less, generate a VA Form 29-8348, Information About Your Insurance, with the computer-printed message: We are pleased to tell you that your endowment policy has matured. A check representing the amount of the matured endowment will be sent to you in a few days.

A.

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(9) In addition, one of the following paragraphs is imprinted on the VA Form 29-8348 or 29-5767 when required:

(a) **For How Paid 2 Accounts.** The amount of the matured endowment shown represents the face value of your reduced paid-up policy.

(b) **For How Paid 4 Accounts.** The amount of the matured endowment shown represents the pure endowment value of your lapsed insurance. As provided in your policy, at time of lapse we used part of the reserve as a single premium to continue your protection with extended term coverage to the end of the endowment period. The balance was used to buy this pure endowment.

(c) **For How Paid 5 Accounts-With TDIP.** Benefit payments will continue on the total disability income provision as long as you are totally disabled, even though the insurance policy matured.

c. When a USGLI endowment policy has a total permanent disability award in force on the maturity date, the computer system will generate a VA Form 4-456, Insurance Award Record Printout, reason code 907, for clerical processing. The Insurance Claims Section will prepare a dictated letter for release to the insured, advising him or her of the maturity of the policy. The insured will also be advised to choose between taking the commuted value of the unpaid guaranteed installments or to continue the monthly payments under the total permanent disability award.

[1

#### 10.04 RETURNED MAIL INDICATED

a. When an endowment policy is maturing and the returned mail bit is on the insurance master record, the system will process the matured endowment as outlined in paragraph 10.03a, except it will not effect payment of the endowment.

b. Thirty days after the pending award master record is created and input has not been inserted to authorize payment of the proceeds of the endowment, a VA Form 4-456, reason code 985, is generated. These RPO's on matured endowments are sent to the Policy Service Section for corrective action so payment of the claim may be initiated.

c. When the VA Form 4-456 is received in the Policy Service Section, the insurance folder will be requested so the clerk may determine why the claim is not being paid. When the latest RPO in the folder has the returned mail bit on, action will be taken as provided in paragraph 13.03, to obtain the current address of the insured. After all actions have failed to obtain a current address, the delayed award indicator will be turned on.

d. When the current address is obtained, a VA Form 29-462, Authorization for Insurance Payments, will be prepared and forwarded to the Voucher Audit (activity) for review. The form, when processed, will initiate payment of the matured endowment.

## **10.05 CLERICAL PROCESSING OF MATURED ENDOWMENTS**

a. There are conditions under which the system cannot process a matured endowment. These conditions are:

- (1) Section 724 waiver (inservice).
- (2) Other indebtedness [indicated].
- (3) Incompetency or guardian indicated.
- (4) Loan or lien interest capitalized beyond the maturity date.

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### **M29-1, Part II Change 15**

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- (5) Deduction amount does not agree with total premium or premiums are being paid in arrears.
- (6) One or more pending transactions, except transaction type *626*.
- (7) Final premium not paid or waived.
- (8) Lien processing day number is equal to or later than maturity.
- (9) Life and/or policy freeze.
- (10) Insurance is paid to maturity, but TDIP is not paid to maturity.

b. When, at the time of callup, the system is unable to process the matured endowment, it will generate an RPO, reason code 906. The Policy Service [Technician] will endeavor to clear the conditions that caused the system to generate the RPO. If he or she is able to clear the conditions, the system will process the matured endowment. If he or she is unable to clear the conditions, it will be necessary to clerically process the matured endowment.

c. A VA Form 29-5897a, Accounting Control Input Card [-ADP], or VA Form 29-8527, Accounting Control, transaction type 099 (reason code 03), and any other necessary input to clear all other segments will be prepared by the Policy Service [Technician] - Processing of the input documents will delete the insurance master record and cause a pending award master record to be established. The insurance folder and the input documents will be sent to the Voucher Audit activity for review.

d. In addition, if the RPO indicates incompetency or guardianship, the following action will be taken:

(1) The folder will be checked to see if a fiduciary has been appointed. A dictated letter with VA Form 29-5767 will be released to the Veterans Services Officer of the regional office having jurisdiction over the fiduciary, who will be advised of the amount of the matured endowment proceeds and requested to designate the proper payee.

(2) If a fiduciary has not been appointed, the Veterans Services Officer of the regional office having jurisdiction over the insured will be contacted by dictated letter, who will be advised of the amount of matured endowment, what is indicated in the insurance record and requested to designate the proper payee.

(3) If the Veterans Services Officer designates the fiduciary as the payee, a VA Form 29-462 will be prepared and forwarded to the Voucher Audit activity for review. The form, when processed, will initiate payment of the matured endowment.

(4) If the Veterans Services Officer designates a payee other than a court-appointed fiduciary; i.e., a legal custodian, including a VA [medical center] Director, [spouse], parent, or other person who is maintaining the insured, [a VA Form 29-462 will be prepared and forwarded to the Voucher Audit activity for review. The form, when processed, will initiate payment of the matured endowment.]

e. When all conditions have been cleared, the Policy Service [Technician] will prepare a VA Form 29-5767, if the endowment proceeds are more than \$2,500, or VA Form 29-8348, if the [endowment] proceeds are \$2,500 or less, for release to the insured.

#### **10.06 INSURED REQUESTS INSTALLMENT PAYMENT**

a. If the insured returns the check that represents payment of his or her matured endowment with the completed VA Form 29-5767, the check will be forwarded to the agent cashier for cancellation and the VA Form 29-5767 [will be forwarded] to the Policy Service [Technician] - The [technician] will acknowledge receipt of the check and take action to authorize

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#### **M29-1, Part II**

**Advance Manual Change No. 8-84**

**September 24, 1984**

#### **Chapter 10 - Matured Endowments**

- A. Change: M29-1, Part II, Chapter 10. This Advance Manual Change is issued to update the listing of conditions under which the system cannot process a matured endowment, so that it coincides with the description for RPO Reason Code 906 in MP-6, Part II, Supplement No. 1.4.
- B. Procedure: Page 10-4, add the following to subparagraph 10.05a:
- (11) indebtedness on endowment policy exceeds the reserve on the parent contract and paid-up addition exists.
  - (12) The how paid code is 4 (extended insurance) with a TDIP segment.
  - (13) The credits exceed the debits.
  - (14) The dividend rate field on a 626 pending transaction is blank on a "W" contract on extended insurance (how paid 4) with pure endowment.
  - (15) Both loan and lien segments exist on the policy.
  - (16) Overpayment lien exists on another policy.
- C. New or Revised  
Insurance Forms: None

Assistant Director for Insurance

DISTRIBUTION:

|             |     |
|-------------|-----|
| 335/29      | 92  |
| 310/290     | 51  |
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| 2O3/SDA     | 2   |
| CO/311D     | 2   |

**April 27,1972**

**M29-1, Part II  
Change 6**

installment payments by preparing VA Form 29462 as outlined in MP-6, part III, supplement No. 2.5, paragraph 101.03. In addition, in the Remarks block of the VA Form 29462, the clerk will enter the following: Corrected VA Form 29462, initial check canceled.]

- b. [The folder with the documents will be sent to the Voucher Audit Unit for their action.]
- c. [(Deleted by change 6.)]
- d. [(Deleted by change 6.)]

January 15,1971

M29-1, Part

**10.07 MANUAL PROCESSING OF RPO REASON CODE LATME**

a. If incompetency or guardianship is indicated on the master record and the status of a fiduciary is still pending upon receipt of RPO LATME, or in the event of specific instructions from the C to withhold payment, the Policy Service Clerk will prepare:

(1) A VA Form 29-5899b or 29-8529, transaction type 926, to insert a lump-sum settlement option code.

(2) A VA Form 29-5897a or 29-8527, transaction type 099, to delete the insurance master record.

(3) A skeleton VA Form 29-462, in duplicate. Numbered coding blocks will be completed to show file prefix and number, last three digits of policy number, name code and effective date-matured endowment (enter date of maturity). In remarks, show Matured Endowment, Fiduciary Information Pending, Do Not Voucher. Complete Date and Completed By blocks. Do not indicate a transaction type.

b. Returned mail and/or pending liability disbursement:

(1) When the first RPO LATME is received and all efforts to obtain a better address have been exhausted, take action to insert the lump-sum settlement option code and purge the account. A skeleton VA Form 29-462 will be prepared, showing file number, name code and effective date-matured endowment (Maturity Date). In remarks, show Matured Endowment, Do Not Voucher, Current Address Unknown. Complete Date and Completed By blocks. Do not indicate a transaction type.

(2) In all cases as outlined above, the insurance folder, input documents, VA Forms 29-462 and RPO's properly noted, will be sent to the Voucher Audit Unit.

**10.08 LOAN/LIEN INTEREST BILLING ON MATURING ENDOWMENT ACCOUNTS**

Loan/lien interest billing on an account that is due to mature within 25 days:

a. Loan/lien anniversary date on or prior to maturity date.

(1) Prepare VA Form 29-5894a, Optional Segment Input, or 29-8525, Dividend/Loan/Lien, to update the loan/lien interest year and to add interest to the anniversary date of the indebtedness.

(2) Prepare VA Form 29-5892a, Policy Input, or 29-8530, Life/Miscellaneous, to lift the life and/or policy freeze from the master record.

*NOTE: The above action will cause the system to establish a callup code of 906. When the callup date is reached, the system will automatically process the endowment and pay proceeds, provided there are no exceptions, to prevent the automatic processing.*

b. Loan/lien anniversary date subsequent to maturity date:

(1) Prepare VA Form 29-5894a or 29-8525 to update the loan/lien interest year and to add interest to the endowment maturity date.

(2) Prepare VA Form 29-5892a or 29-8530 to lift the life and/or policy freeze from the master record.

*Note: The above action will cause the system to establish a callup code of 906 on the master record. when the callup date is reached, the system will generate RPO reason code 906 for clerical preparation of input to delete the insurance master record and pay the proceeds.*

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**January 15,1971**

### **10.09 INTERNAL REVENUE SERVICE LEVY ON MATURED ENDOWMENT CONTRACTS**

a. Proceeds of a maturing endowment policy are subject to set off to satisfy an Internal Revenue Service levy against the person to whom such proceeds are payable.

b. Insert the Returned Mail indicator. This will serve to suppress authorization of the award.

c. A VA Form. 29 5-99h .,i 29-8529 will be prepared to insert the settlement option code. Also, prepare VA

Form 29-5897a or 29-8527 and any other input, as required, to delete the insurance master record.

d. A skelton VA Form 29462 will be prepared indicating under remarks, the type and total amount of indebtedness to be set off from the proceeds by the Operations and Input Section, Finance and Data Processing Division. VA Form 29462 will be noted under remarks, Returned Mail Indicator was used only to suppress authorization of payment. VA Form 29462, folder and associated material will be sent to the Voucher Audit Unit for review.

e. Care must be taken to assure deletion of the returned mail indicator from any remaining accounts for the same insured.

f. Insurance proceeds, though payable only in monthly installments, may be authorized to the Internal Revenue Service to satisfy a tax levy. It is prerequisite that the tax indebtedness is against a person(s) to whom the insurance proceeds are payable.

### **10.10 REQUEST FOR DELAYED PAYMENT OF ENDOWMENT PROCEEDS**

a. If the insured or a fiduciary requests that payment of a maturing contract be delayed, the Policy Service Clerk will take the following action:

(1) The insured or fiduciary will be advised by dictated letter that no interest will be paid on the delayed payment.

(2) VA Form 29-5896a, Life Input, or 29-8530 will be prepared to insert the Returned Mail indicator to suppress payment of the endowment proceeds.

(J

(3) VA Form 2- 29 5899 r 29-8529 will be prepared to insert the settlement option code. VA Form 29-5897a or 29-8527 will also be prepared to delete the insurance master record.

(4) A skeleton VA Form 29-462 will be prepared. Indicate in remarks, Delayed Payment Requested, and date. Also note that Returned Mail indicator was used only to suppress authorization.

(5) The insurance folder, VA Form 29462 and associated material will be sent to the Voucher Audit Unit for review.

b. Care must be taken to assure deletion of the returned mail indicator from any remaining accounts for the same insured.

## **10.11 UNASSOCIATED COLLECTION ITEMS OF MATURING ENDOWMENT CONTRACTS**

Miscellaneous Accounts and Service Unit.

a. If an Unassociated collection item is identified with a matured endowment contract after the proceeds have been paid in one sum or installment payments have been started, and the remittance was postmarked 20 calendar

### **10-8**

**September 13, 1976**

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Change 13**

days, or less, before the maturity date and was equal to, or less than, the interest accrual from the last loan/lien anniversary date to date of maturity:

(1) Confirm that the payment was made and verify the details of setoffs made. VA Form 24-5851, Insurance Award Statement, and/or the RPO reason code 906 in the folder should reflect this.

(2) Note the RPO of refund action being taken.

(3) VA Form 4-706, Notice of Refund, will be prepared to refund the amount of the remittance to the insured. Advise him/her of the refund and why it is being returned.

b. If an Unassociated collection item is identified with an account after a one-sum payment has been made or installment payments have started, and the remittance was either postmarked more than 20 days before the maturity date, or less than 20 days but in an amount greater than the interest accrual from the last loan/lien anniversary date to the insurance maturity date, the following actions will be taken:

(1) Confirm the status of the payment and that setoffs were made. VA Form 24 8-51 and/or the RPO 906 in the folder should reflect this.

(2) SF 1017G, Journal Voucher, will be prepared debiting 1 remittance and crediting Policy

(3) A memorandum, in triplicate, will be prepared. Identify the memorandum as Amended MCP-Matured Endowment. Include the file number of the account, the type and amount of all debits and credits on original settlement. In a second column, show the correct debits and credits had the remittance been applied before authorization of payment, and the net difference.

(4) Cross-reference the memorandum on the RPO and stamp it Ready for File, sign, date, and file The triplicate copy in the insurance folder.

(5) Advise insured why the adjustment is being made.

(6) The insurance folder, SF 101 7G, and original and duplicate copies of the memorandum will be sent to the Accounting Section, Finance and Data Processing Division.

## **10.12 ERRONEOUS SETOFF**

When an erroneous setoff has been made for the proceeds of a maturing endowment: for example, \$275 deducted from face of insurance for loan interest instead of \$27.50, this results in either a reduced one-sum payment of the

proceeds or an excessive reduction in the face of the insurance, which, in turn, reduces the amount of the monthly payments to the insured.

- a. Verify from the folder how the proceeds are being paid (lump sum or installment), and the amount of erroneous setoff. VA Form 2 5851 and RPO 906 in the folder should reflect this.
- b. A memorandum, in triplicate, will be prepared. Identify the memorandum as Amended MCP-Matured Endowment. Include full details of the set off made and the amount which should have been made and the net difference.
- c. The memorandum will be cross-referenced to the RPO in the folder and the triplicate copy will be stamped Ready for File, signed, dated and filed in the insurance folder.
- d. The insured will be advised the reason for the adjustment.

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**September 13,1976**

- e. Send the insurance folder and original and duplicate copies of the memorandum to the Accounting Section, Finance and Data Processing Division.

**10.13 REQUESTS FOR COMMUTED VALUE OF UNPAID INSTALLMENTS**

a. Requests for the commuted value of unpaid installments on matured endowment contracts, when received in the Insurance Division, will generally be processed without an insurance award RPO. When necessary, the request will be referred to Operations and Input Section to secure award RPO. A VA Form 29-462 authorizing the payment of commuted value will be prepared as outlined in MP-6, part III, supplement No. 2.5, paragraph 101.04.

b. Correspondence, other than requests for commuted value, relating to payment of proceeds of a matured endowment contract received after the maturity and release of VA Form 29-462, is a responsibility of Finance and Data Processing Division.

**10.14 PROCEEDS APPLIED TO PAY INDEBTEDNESS OR PREMIUMS ON ANOTHER POLICY**

a. When a request is received from the insured to apply all or part of the proceeds of his [or her] maturing endowment policy to pay an indebtedness and/or premiums on another policy and the request is received prior to automatic payment of the endowment by the computer system, action will be taken to process the request as follows:

(1) VA Form 29-5896a, Life Input, or VA Form 29-8530, Life/Miscellaneous, transaction type 080, will be prepared as input to insert the returned mail bit on the master record to suppress authorization of the award.

(2) VA Form 29-323, Disbursements, or VA Form 29-8529, RPO/Reinstatement/Status, transaction type 926, will be prepared to insert the settlement option and, when necessary, the number of installments certain.

(3) VA Form 29-5892a, Policy input, or VA Form 29-5886b, Insurance Record Printout, transaction type 082, will be prepared to freeze the record. VA Form 29-5894a, Optional Segment Input, or VA Form 298525, Dividend/loan/lien, transaction type 085 for loan or 086 for lien, will be prepared to delete the indebtedness on the maturing policy.

(4) VA Form 29-5897a, Accounting Control Input Card, or VA Form 29-8527, Accounting Control, transaction type 099, will then be prepared to delete the freeze and purge the master record.

(5) VA Form 29-462, Authorization for Insurance Payments, transaction type 499, will be completely prepared. Under? remarks the type and total amount of indebtedness to be set-off from the proceeds will be indicated.

(6) The input documents, the insurance folder and the VA Form 29-462 will be forwarded to the Voucher Audit [[activity] for review and release of the input documents.

(7) The Voucher Audit [activity] will hold the insurance folder and VA Form 29-462 for 2 days. If the input documents are rejected, the insurance folder and VA Form 29-462 will be obtained from the Voucher Audit [activity] and the input documents corrected. The input will then be processed as outlined above.

(8) When input to insert the returned mail bit on the master record is processed, it is shown on all contracts of the insured. Action will be taken to delete the bit from any contracts continuing after the endowment contract is purged.

b. The Voucher Audit [activity] will release the VA Form 29-462 to the Operations and Input Section after it is determined that the input documents have been processed through the computer system.

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**September 13, 1976**

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**Change 13**

**[10.15 PROCESSING MATURED CONTRACTS PAYABLE OUT OF BALANCE CASES**

a. When an insurance master record is deleted from tape because of matured endowment, an award pending master record is established.

b. When an out-of-balance condition for the MCP account occurs and the insurance master record has been purged, the Policy Service Clerk will take the following actions:

(1) Prepare VA Form 29-462, in duplicate, as outlined in MP-6, part III, supplement No. 2.5, paragraph 101.03. In remarks explain the reason for the out-of-balance condition. It is not necessary to show the control accounts involved.

(2) If MTC (Miscellaneous Transaction Control) rejects are also received, they will be processed by use of FL 29-652.

(3) Forward the insurance folder, VA Form 29-462 and all other related material to the Voucher Audit activity for review.]

M29-1, Part II  
Advance Manual Change No. 9-84

October 15, 1984

**Chapter 10 - Matured Endowments**

- A. Change: M29-1, Part II, Chapter 10. This Advance Manual Change is made in conjunction with Advance Manual Change 14-84 in MP-6, Part II, Supplement 1.4, which introduced RPO reason code 3LNME. The generation of this RPO gives the Insurance Operations Divisions an opportunity to anticipate cases in which loan indebtedness in excess of \$10,000 may cause delay in the payment of endowment proceeds because of space limitations in the loan principal and interest fields of the award pending master record.
- B. Procedure: 1. Page 10-i, add the following as the last entry in the Table of Contents:
- |       |                                                                                    |         |
|-------|------------------------------------------------------------------------------------|---------|
| 10.16 | ENDOWMENT POLICY MATURING WITH OUTSTANDING LOAN<br>INDEBTEDNESS EXCEEDING \$10,000 | 10-10a. |
|-------|------------------------------------------------------------------------------------|---------|
2. Page 10-10a, add the following as paragraph 10.16:
- |       |                                                                                    |  |
|-------|------------------------------------------------------------------------------------|--|
| 10.16 | ENDOWMENT POLICY MATURING WITH OUTSTANDING LOAN<br>INDEBTEDNESS EXCEEDING \$10,000 |  |
|-------|------------------------------------------------------------------------------------|--|
- a. The loan principal amount field on the award pending master record cannot contain more than six digits. The loan interest amount field cannot exceed five digits. If the total loan principal on the date of maturity is greater than \$9,999.99 and/or the loan interest is greater than \$999.99 the policy must be split before the proceeds can be paid.
- b. To prevent delay in the payment of such cases, an RPO with reason code 3LNME will be generated in November for every endowment policy scheduled to

mature during the following calendar year for which there are two loans on tape and an indication of off-tape indebtedness. If the total loan indebtedness can be expected to exceed \$10,000 at the time of maturity, the policy should be split so that an award pending master record can be properly established and the proceeds paid when the policy matures.

2.

M29-1, Part II

Advance Manual Change No. 9-84

C. New or Revised  
Insurance Forms: None  
A

ROBERT W. CAREY  
Assistant Director for Insurance

DISTRIBUTION:

|             |     |
|-------------|-----|
| 335/29      | 92  |
| 310/290     | 51  |
| 310/291     | 111 |
| 310/Library | 1   |
| 203/SDA     | 2   |
| C0/311D     | 2   |

January 30, 1974

M29-1, Part 11  
Change 11

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September 13,1976

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## CHAPTER 11. LIENS

### SUBCHAPTER 1. ON-TAPE LIENS

#### 11.01 GENERAL

a. Administrative liens are established for premium and insurance overpayment indebtedness under the conditions outlined in M29-1, part I, chapter 9.

b. Premium and insurance overpayment liens on active insurance accounts are maintained on the master record with the exception of 304, 305, 306 statutory liens. Payments are applied and receipts are released by the system. Action to compute and release bills for annual interest is also accomplished by the system. However, not more than one lien can be maintained on the master record at one time. When a lien on tape is liquidated and the master record indicates there is other indebtedness, the system will generate a record printout, reason code 085, for clerical insertion of the off-tape lien.

[c. In any case when the insurance is in force no effort will be made to determine whether the 1948 and/or 1951 dividend has been paid or if the amount paid was correct. This includes cases when terminal actions are being taken; i.e., death cases, cash surrenders, matured endowments.

d. No receivable or lien will be established if at the time of an audit the date of discovery of an overpayment is 6 years or more after the date of payment regardless of the dividend year involved.

e. Outstanding liens established prior to this change in policy when the overpayment cannot be identified by documentary proof, such as a photocopy of a canceled check, and satisfactory arrangements to recover the overpayment have not been completed, may be written off without any further notice to the insured. The reason for the write-off will be given as uncollectible, not legally supportable.

#### 11.02 ESTABLISHMENT OF LIENS

a. A premium lien is established only if the policy on which the indebtedness rose is active. If a premium lien arises on an inactive account, the insurance folder will be flashed to show an indebtedness does exist but a lien account will not be established.

b. If the insurance overpayment indebtedness lien is less than \$1, or if the premium indebtedness lien is less than \$1 and does not equal or exceed 90 percent of a monthly premium:

(1) Prepare VA Form 29-5899, Request for Record Print Out, or VA Form 29-8529, RPO/Reinstatement/Status.

(2) Examine the RPO to determine status of the policy. If there is no lien on the master record, enter all data pertinent to the lien in the lien segment of the RPO, including the authority and reason for establishment.

(3) Prepare VA Form 29-5894a, Optional Segment Input Card, or VA Form 29-8525, Dividend/Loan/Lien, transaction type 006, to insert the lien in the master record.

(4) Prepare other input documents to credit account(s) on which the lien arose, if the account cannot be credited on the document inserting the lien.

(5) Prepare VA Form 29-5894a or 29-8525, transaction type 086, to delete the lien and transfer the amount to the variance account.

*NOTE: Steps (3), (4) and (5) are accomplished for accounting purposes only.*

11-1

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(2) Prepare and attach VA Form 29-320, Request for Calculation, if appropriate, to the RPO requesting recalculation of the amount and period of extended insurance. Upon return of the forms, prepare a corrected VA Form 29-389c, Notice of Extended Term Insurance.

(3) Prepare the necessary input documents to adjust the master record:

(a) VA Form 29-5892a, Policy Input, or VA Form 29-8522, Policy, transaction type 082, will be prepared to reduce the amount of extended insurance.

(b) VA Form 29-5892a or 29-8522, transaction type 072, will be prepared when no pure endowment is payable, to change the date on which extended insurance will expire.

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(c) VA Form 29-5893a, Premium Input, or VA Form 29-8523, Premium/TDIP, transaction type 083, will be prepared when it is necessary to remove or reduce the amount of pure endowment payable; or credit the premium offset account when that is the account on which the lien arose; or to debit account 33 and credit account 39 for the amount needed to repay the lien.

(d) VA Form 29-5894a or 29-8525, transaction type 006, will be prepared to insert the lien on t d if possible at the same time, to credit the account on which the lien arose.

(e) VA Form 29-5894a or 29-8525, transaction type 086, will be prepared to repay the lien from reserve.

(f) VA Form 29-5897a, Accounting Control Input Card, or VA Form 29-8527, Accounting Control, transaction type 089, will be prepared to debit account 33 and credit account 39 for the amount of the lien, when that action could not be taken on VA Form 29-5893a, or to credit the account on which the lien arose, when that action could not be taken on another input document.

(g) VA Form 29-5895a, Pending Transaction Input Card, or VA Form 29-8526, Pending Transaction, transaction type 098, will be prepared to delete a pending transaction for pure endowment dividends, if there is one on tape.

(h) VA Form 29-5895a or 29-8526, transaction type 008, will be prepared to reinsert a pending transaction for dividends which may become due on a reduced amount of pure endowment, if any.

*NOTE: When a recomputation of extended insurance is made to pay a lien which occurred prior to the date of lapse, an overpayment of dividend may result due to the reduced amount of extended insurance. The amount of this lien will be inserted in the master record in accordance with procedure as outlined in this chapter.*

(4) Route insurance folder with all forms attached to the Voucher Audit Unit for review of action taken and r to the Correspondence Clerk for release of a dictated letter and corrected VA Form 29-389 c to the insured.

### 11.03 INITIAL LIEN LETTER

The initial lien letter to the insured will be composed to suit the individual case. Using the following guidelines, the letter will include:

a. How and when the indebtedness occurred and the necessity for immediate repayment in full or in partial payments.

b. It will explain that he may authorize the use of all or part of any existing credits toward repayment of the indebtedness. If the dividend option is credit, care should be taken to make sure that the insured is not encouraged to change the option and that it will be to his advantage to repay the indebtedness as soon as possible to avoid interest charges. The insured will also be advised that if the indebtedness is not repaid, it will be deducted from any future dividends or at time of settlement.

*NOTE: No mention will be made of the 1-year interest-free period or the rate of interest.*

### 11.04 INITIAL LIEN LETTER RETURNED AS UNDELIVERABLE

Upon receipt of the initial lien letter returned unclaimed, with RPO and insurance folder attached, action will be taken in accordance with the following:

a. If address on letter is different from that on RPO, remain letter to address on RPO and prepare the following input documents:

(1) VA Form 29-5894a or 29-8525, transaction type 086, to change the effective date of the lien.

11-3

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N29-1, Part II  
Advance Manual Change No. 1-85

April 24, 1985

CHAPTER II. %TFNS

- A. **CHANGE:** M29-1, Part II, Chapter 11. This change is issued to provide procedures for the establishment and maintenance of off-tape liens that involve the recovery of five and eleven percent loan overpayments. It also directs supervisory personnel to review the establishment of off-tape liens and to take appropriate remedial action when necessary.
- B. **PROCEDURE:** Page 11-6~ delete subparagraph 11.10 in its entirety and substitute the attached replacement.  
  
Page 11-7 and 11-8~ delete subparagraph 11.11 in its entirety and substitute the attached replacement.
- C. **NEW OR REVISED)**  
**INSURANCE FORBIS:** None

OBERT W. CAREY  
\$ Assist-t Director for nsurance

DISTRIBUTION:

|             |     |
|-------------|-----|
| 335/29      | 92  |
| 310/290     | 51  |
| 310/291     | 111 |
| 310/Library | 1   |
| 203/SDA     | 2   |
| CO/311D     | 2   |

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i1.IC CFNRRAL

a. A record of the off-tape lien Bill be established and ~aintci'ine~ or 8 VA Forw 29-1696,  
Lien Record Card. Off-tape lien accounts will be established under the following conditions:

- (1) A lien segment currently exists on the Master Record, and at additional pre~iu~ or insurance overpayment indebtedness is found.
- (2) The Master Record contains a paid-up addition segment.
- (3) A five or eleven percent loan was granted in excess of the TnaxiTPuT~ loan value.

b. The existence of the off-tape lien is recorded on the Master Record by the insertion of the other indicator.

c. All accounting entries in connection with the off-tape lien are accomplished outside the system.

d. An off-tape lien to effect the recovery of a 5 or 11 percent loan overpayment will be charged an annual interest rate of 5 or 11 percent, whichever is appropriate. No prior years adjustment will be made for interest charged at the 4 percent rate.

#### 11.11 ESTABLISHMENT OF OFF-TAPE LIENS ON ACTIVE ACCOUNTS

a. An off-tape lien will not be established if the amount of the insurance overpayment indebtedness or premium indebtedness is less than \$1.00. An amount of less than \$1.00 will be offset by the transfer of funds from the variance account.

b. If the amount of the overpayment or premium indebtedness is \$1.00 or more, a VA Form 29-1696 will be prepared showing all pertinent information and the authority for the lien. Enter the type of lien, PREM, 0<sup>1</sup>PMT, 5 or 11 PERCENT LOAN o<sup>1</sup>PMT and appropriate interest rate to be charged for each lien.

c. Prepare VA Form 29-1610, Transfer Worksheet, in duplicate. Debit off-tape lien and credit the appropriate two-digit ADP general ledger account number.

d. A lien letter will be released informing the insured of the overpayment. The letter should be forceful and require that the full amount of the overpayment be returned in a lump sum.

e. Except for eleven percent interest bearing liens, the lien effective date will be the same as lien letter release date.

f. If the lien was established to effect the recovery of an eleven percent loan overpayment, the insured will be allowed an interest-free period of 31 days from the date of the letter if he returns the full amount of the overpayment. If he does not return the overpayment amount within the 31-day period, the 11% interest will revert and begin to accumulate from the effective date of the lien.

g. A 45-day no freeze diary will be established from the date of the lien letter. If no response has been received, a second lien letter should be released. This letter will provide a repayment schedule. The suggested monthly payment amount will be taken from the table furnished in M29-1, Part II, Chapter 33.03H. If the lien is an 11 percent overpayment lien, the total amount of the 11 percent indebtedness (on-tape loan plus off-tape lien) will be combined to determine the monthly repayment amount.

h. Forward lien record card, input documents, if any, and VA Form 29-1610 to the Voucher Audit Unit if an internal control batch number is required on input document(s); otherwise send input documents directly to the Data Processing Center.

i. Insert Transaction Type 080 to record other indebtedness indicator on the RPO.

j. When an insurance account contains both an off-tape lien and an off-tape loan, the presence of the other indebtedness bit and the 959 diary together on the master record effectively mask the existence of the off-tape lien. In order to reduce the possibility of overpayment on policies with both off-tape lien and off-tape loan indebtedness, the following control procedures will be followed:

(1) The message "off-tape loan exists" should be written on all off-tape lien record cards associated with any file number which has one or more off-tape loans.

(2) A 959 diary, with the diary message "lien off-tape,<sup>1</sup>, should be established for all accounts with both lien and loan indebtedness off-tape. The call-up date should be 30 days prior to the lien anniversary date.

(3) Reason Code 959 RPOs will continue to be generated based upon the off-tape loan and lien diary call-up dates. This will enable us to confirm the validity of each diary against the off-tape indebtedness record. The loan screen or off-tape lien record card should be examined before the 959 diary is updated. The 959 RPOs generated on the lien call-up date should also prompt lien interest billing.

(4) If the off-tape loan indebtedness is liquidated or reinserted into the master record, the off-tape loan message on the lien record card(s) should be removed. Likewise, if the off-tape lien indebtedness is liquidated or inserted into the master record, the off-tape lien message should be removed from the off-tape loan inquiry screen(s). The appropriate 959 diary should also be deleted.

k. If credits are available toward repayment of the lien, prepare appropriate input document to delete the credits from the master record and credit account 52. Also, prepare VA Form 29-1610 to debit account

a

52 and credit off-tape liens. If application of credits reduces the off-tape insurance overpayment lien to less than \$1 and a premium lien to less than \$1, the off-tape lien clerk must prepare a VA Form 29-1610 to transfer balance to the variance account.

l. When it is necessary to correct the paid dividend segment on the master record and establish an off-tape lien, prepare the following:

(1) VA Form 29-394, Dividend Transaction Input Card, or VA Form 29-8528, Paid Dividend/Dividend History, transaction type 646; debit account 52 and credit the proper dividend fund.

(2) VA Form 29-1610; debit policy liens and credit Undistributed Insurance Disbursements.

(3) VA Form 29-1696, making the routine entries, and in addition, show in the Remarks space, VA Form 29-1610, and date.

m. All the material will be routed to the voucher Audit Unit for review and assignment of the appropriate control batch number. The VA Form 29-1696 will be filed in the off-tape lien file in the Miscellaneous Accounts and Service Unit.

n. All off-tape lien establishments will be routed through the unit supervisor for final review. In addition, liens that are established for amounts in excess of \$250 or for recovery at the 11% annual interest rate, should be routed through the Office of the Chief, Policy Service Section, for appropriate remedial action.

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#### 11.11 ESTABLISHMENT OF OFF-TAPE LIENS ON ACTIVE ACCOUNTS

a. If insurance overpayment indebtedness is less than \$1 or if the premium indebtedness is less than \$1 and does not equal or exceed 90 percent of a monthly premium, and there are no credits available to reduce or repay the lien, the following action will be taken:

(1) Prepare VA Form 29-1610, Transfer Worksheet (Interfund/Intrafund) to transfer the amount of the indebtedness to the variance account.

(2) In the Pending Transactions portion of the RPO, enter amount of indebtedness, how and when it occurred, and the date the VA Form 29-1610 was prepared. The VA Form 29-1610 will be noted posted.

(3) After the lien has been established and the documents prepared, a review of the account will be made by an authority higher than the Policy Service Technician. The VA Form 29-1610 will be forwarded to the ADP Unit for scheduling.

(4) File RPO in insurance folder and return folder to file.

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b. If premium indebtedness is less than \$1, but equals, or exceeds 90 percent of a monthly premium, or if premium (or insurance overpayment) indebtedness is \$1 or more, the following action will be taken as follows:

(1) Prepare VA Form 29-1696 showing all pertinent information. Enter the type of lien, PREM or O'PMT and the dividend year, if involved, in the appropriate form block. The VA Form 29-1696 will be held in a 5-workday hold file.

7

(2) In the Pending Transactions portion the RPO, enter the amount of indebtedness, and the date the VA Form 29-1696 was prepared.

(3) If credits are available toward repayment of the lien, prepare appropriate input document to delete the credits from the master record and credit account 5- Also, prepare VA Form 29-1610 to debit account 52 and credit off-tape liens.

/7

(4) If application of credits reduces the off-tape insurance overpayment lien to less than \$1 and a premium lien to less than \$1 and less than 90 percent of a monthly premium, the off-tape lien clerk must prepare a VA Form 29-1610 to transfer balance to the variance account.

(5) After application of credits, if a premium or insurance overpayment lien balance is \$1 or more, or if a premium lien balance is less than \$1 but amounts to 90 percent or more of a monthly premium, route the insurance folder, with RPO to the Correspondence Clerk for preparation of the lien letter as outlined in paragraph 11.03. The letter will also include information about the prior lien.

(6) When the lien letter and folder are returned from the Correspondence clerk, the lien letter will be dated. A 45-day no-free/fe diary will be established from the date of the lien letter. The date of the lien letter will be entered in the \Aen Effective Date block on VA Form 9 1696 and released with hand-prepared VA Forms 29-369 and 29.369h.~The green copy of the lien letter will be stamped Ready for File and filed in the insurance folder. The folder will be returned to file.

(7) Prepare SF 1017-G to transfer the amount of indebtedness from premium to lien principal.

(8) Prepare VA Form 29-5896a, Life Input, or VA Form 29-8530, Life/Miscellaneous transaction type 080, to record other indebtedness on the master record.

(9) Forward lien record card, journal voucher, input documents, if any, and VA Form 29-1610, if any, to ADP Control activity through Voucher Audit Unit if credit on master record is involved; otherwise, send input documents directly to the data processing center.

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(4) The notation Int. Free will be entered in the Accumulated Interest block.

(5) A payment in the exact amount of the lien balance will be posted to lien principal and a zero balance shown on the lien card.

(6) When a lien is liquidated, the lien card will be closed out and the following action taken:

(a) Prepare a VA Form 29-5896a or 29-8530~ transaction type 080, to delete the Other Indebtedness indicator from the master record.

(b) Review all entries on the lien record card, initial, date and file in the current closed-out lien record card file.

(c) After monthly reconciliation, forward lien record card for filing in the insurance folder. Closed-out lien record cards on XC-cases will be filed in the Closed XC-File.

b. Posting to the Lien Record Card

(1) VA Form 29-1610 will be received from the ADP Control activity for posting to the lien record card.

(2) When a payment is posted to more than one policy, the form will be noted to show the amount posted to each policy.

(3) The VA Form 29-1610 will be stamped Ready For File, initialed, dated and filed in the insurance folder.

c. Processing Uncollectible Checks. Upon receipt of an uncollectible check, used to pay or reduce the lien

with VA Form 29-5899, take the following action:

(1) Post the debit entry to the lien record card.

(2) Prepare VA Form 29-348, Debit Slip-Uncollectible Remittance, showing distribution; note Off-Tape and forward to the ADP Control activity.

(3) Prepare status of lien account on VA Form 3230 and forward, with the uncollectible check and other material, to the Correspondence Clerk for a dictated letter.

d. Posting From Miscellaneous Documents

(1) If the transaction was previously vouchered, make posting on the lien record card.

(2) If the transaction has not been previously vouchered, it will be entered on journal voucher.

e. Daily Reconciliation' of Lien Transactions

(1) After posting, lien record cards will be retained out of file until daily reconciliation is effected.

(2) Separate tapes will be prepared from the lien record cards on all debit and credit transactions posted each day. The tapes with posted documents will be sent to the Control Unit where similar tapes will be prepared from the documents and reconciled.

*NOTE: If the volume is insufficient to warrant a daily reconcillation, it may be done-on a weekly basis.*

11-9

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January 30, 1974

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Change 11

we will take such action as is appropriate under the circumstances, including

withholding any money due you as offsets against your indebtedness.

#### 11.16 WRITEOFF OF CERTAIN ADMINISTRATIVE LIENS

When a lien has been established for an erroneous payment or an overpayment of a dividend, it will be written off without contacting the insured, if (1) proof of payment, such as a photocopy of the canceled check, is not available, and (2) satisfactory arrangements to recover have not been completed. The reason for the writeoff will be given as:

UNCOLLECTIBLE-NOT LEGALLY SUPPORTABLE.j

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11-11

Chapter 12. Other indebtedness

- A. Change: M29-1, Part II, Chapter 12. This change incorporates of the Insurance Terminal System, Target System and 700 in the maintenance and reconciliation of indebtedness accounts.
- B. Procedure: Page 12-1 and 12-2, delete subparagraph 12.02 and substitute the attached replacement subparagraph 12.02.  
Page 12-2, amend subparagraph 12.03a(1) SF 1081 SF 1097.  
Page 12-2, amend subparagraph 12.03c SF 1081 to read
- C. New or Revised Insurance Forms: None

ROBERT W. CAREY  
Assistant Director for Insurance

DISTRIBUTION

|             |     |
|-------------|-----|
| 335/29      | 92  |
| 310/290     | 51  |
| 310/291     | 111 |
| 310/Library | 1   |
| 203/SDA     | 2   |
| CO/311D     | 2   |

- a. Notices of finance indebtedness are delivered to the Miscellaneous Accounts and Service Unit (MASU). Notifications are usually received on VA Form 4-4619, Collection Due Code Sheets.
- b. The MASU clerk will attempt to identify the insurance file number by performing a BIRLS inquiry using either the Insurance Terminal System (ITS) or the Target System. Finance indebtedness notifications which cannot be identified by an insurance file number or for which insurance is inactive, will be considered as uncollectible and returned to the appropriate Regional Office.
- c. When a notice of finance indebtedness is identified with an in-force insurance record, the MASU clerk will have a VA Form 29-4878, Deduction Authorization-Finance Card and a VA Form 29-5896a, Life Input Card, keypunched by the Analysis and Control Division, DPC. Upon receipt of these documents in MASU, the clerk will use the VA Form 29-5896a to insert the other indebtedness indicator on the master record. The VA Forms 29-4878 will be filed in the active 29-4878 file by insurance number.
- d. An annual reconciliation of finance indebtedness accounts will be accomplished by using the October 700 Run which generates the INDEBT RPO. The INDEBT RPO's are also used to reconcile other off-tape indebtedness. The VA Form 29-4878's will be matched against the INDEBT RPO's and processed as follows:

(1) For all in-force insurance records, the MASU clerk should access the Target System (M01 screen) to determine if the amount of the indebtedness agrees with the amount shown on the VA Form 29-4878. If they do not agree, the amount shown on VA Form 29-4878 will be adjusted to agree with the amount shown on the M01 screen.

(2) If the M01 screen indicates that the finance indebtedness has been paid, the clerk will withdraw the VA Form 29-4878 from the active file for disposal. If no other off-tape indebtedness exists, a Transaction Type 080 input will be prepared to remove the other indebtedness indicator from the master record.

(3) If no Reason Code INDEBT RPO was generated, view the ITS screen IO10 and IO40, and the Target screen MO1 to determine that both the insurance and indebtedness are still active. If both are active, insert the other indebtedness indicator on the master record.

(4) If the insurance record is inactive or no record in ITS, the indebtedness will be considered as uncollectible. The VA Form 29-4878 will be annotated uncollectible and routed for filing in the insurance folder if it contains evidence of collection activity. If there was no such activity, the VA Form 29-4878 will be disposed.

e. When notice of liquidation of finance indebtedness is reported by a Regional Office, the clerk will withdraw the VA Form 29-4878 from the active file and do the following:

(1) Screen the off-tape lien file, ITS screen I090 and the insurance folder to determine whether there is also an outstanding off-tape lien or loan, service indebtedness and/or notice of levy from the Internal Revenue Service. If no such other indebtedness exists, a Transaction Type 080 input will be prepared to remove the other indebtedness indicator from the master record.

(2) The VA Form 29-4878 will be filed in the insurance folder if it contains evidence of collection activity. If there was no such collection activity, the VA Form 29-4878 will be disposed.

M29-1, Part II

Advance Manual Change No. 2-85

May 3, 1985

#### Chapter 12. Other Indebtedness

A. Change: M29-1, Part II, Chapter 12. This change incorporates the use of the Insurance Terminal System, Target System and ADP Run 700 in the maintenance and reconciliation of finance indebtedness accounts.

B. Procedure: Page 12-1 and 12-2, delete subparagraph 12.02 and substitute the attached replacement subparagraph 12.02.

Page 12-2, amend subparagraph 12.03a(1) SF 1081 to read SF 1097.

Page 12-2, amend subparagraph 12.03c SF 1081 to read SF 1097.

C. New or Revised Insurance Forms: None

ROBERT W. CAREY  
Assistant Director for Insurance

DISTRIBUTION:

|             |     |
|-------------|-----|
| 335/29      | 92  |
| 310/290     | 51  |
| 310/291     | 111 |
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| CO/311D     | 2   |

May 15, 1972

M29-1, Part II  
Change 7

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## [CHAPTER 12. OTHER INDEBTEDNESS

## SUBCHAPTER 1. FINANCE AND SERVICE DEPARTMENT INDEBTEDNESS

## 12.01 GENERAL

a. Conditions under which finance indebtedness and service department indebtedness arise and the rules for recovery of such indebtedness are outlined in part I, chapter 9.

b. Finance indebtedness includes overpayments and illegal payments, not in connection with insurance,

which were made to a veteran or his dependents under laws administered by the VA. These indebtednesses are maintained in the regional offices and are reported to the VA centers on a quarterly basis.

c. Service department indebtedness includes allotment payments which were not supported by deductions from the insured's service pay.

## 12.02 FINANCE INDEBTEDNESS

a. Notices of finance indebtedness will be processed as follows:

(1) VA Form 4-4619, Collection Due Code Sheet, is received from the regional office and delivered to the insurance file number will be inserted on all VA Forms 4-4619 as they are identified by the index clerk. When all the forms have been indexed, they will be delivered to the Miscellaneous Accounts and Service unit.

(2) The VA Form 4-4619, which were not identified by an insurance file number, will be withdrawn and

considered as uncollectible. Miscellaneous Accounts clerk will request an RPO (Record Printout) for those VA Forms 4-4619 that have been identified by an insurance file number.

(3) When the RPO's are received the insurance is found to be nonparticipating, the clerk will withdraw the VA Form 4-4619. The remaining forms will be delivered to the Key Punch activity, DPC (data processing center), for preparation of forms 29-4878, Deduction Authorization-Finance, and the VA Forms 29-5896a, Life Input Card, to insert the 0th Indebtedness indicator on the master record.

(4) The *N/R* or *Uncollectible*, VA Forms 619, and an adding-machine tape for the reject items will be returned to the appropriate regional office.

(5) The VA forms 29-4878 will be filed in the active Form 29-4878 file by insurance number.

b. Annual reconciliation of VA Form 29-4878 will be as follows:

(1) Prior to the reconciliation in September of each year, new VA Forms 29-4878 will be prepared to reflect the new balance or any regional office change, and the file listed.

(2) The file of VA Forms 29-4878 for NSLI accounts will be sent to the EAM (Electronic Accounting Machine) Section for processing as outlined below:

(a) The VA Forms 29-4878 will be reproduced into VA Forms 29-5896a.

1. The rejected VA Forms 29-5896a will be used to remove the matching VA Forms 29-4878. The listing will be amended by entering the notation, *Uncollectible*, next to each rejected item.

2. The VA forms 29-4878 and the rejected VA Forms 29-5896a will be routed for filing in the insurance folder if they contain evidence of deductions from insurance disbursements for finance indebtedness. Otherwise, the VA Forms 29-4878 will be disposed of.

the insurance

**M29-1, Part II  
Change 7**

**May 15, 1972**

(b) Listing of VA Forms 29-4878 will be in claim number order by regional office and in triplicate as follows:

| Card | Data                    | From | Columns    |
|------|-------------------------|------|------------|
|      | Claim Number prefix (C) |      | Emit       |
|      | Claim Number            |      | 25-32      |
|      | <b>First Name</b>       |      | 39-48      |
|      | Middle Initial          |      | 49         |
|      | <b>Last Name</b>        |      | 50-66      |
|      | File Number prefix (V)  |      | Emit 1     |
|      | FV Number               |      | 9-16       |
|      | DO Number               |      | <b>1-2</b> |
|      | Appropriation Code      |      | 7-8        |
|      | Amount of Indebtedness  |      | 33-38      |
|      | Station Number          |      | 3-6        |

(c) The triplicate copy of the regional office listing will be retained for control purposes. The original and duplicate copy will be forwarded to the appropriate regional office for processing and return to the insurance office.

(d) When notice of liquidation of finance indebtedness is reported by a regional office, either in an individual **letter** or in the annual reconciliation listing, the clerk will withdraw the VA **Form** 29-4878 from the active file for disposal.

1. The off-tape lien file and insurance folder will be screened to determine whether there is also an outstanding off-tape lien, service department indebtedness and/or notice of levy from the Internal Revenue Service. If no such other indebtedness exists, VA Form 29-5896a or VA Form 298530, Life Miscellaneous, transaction type 080, will be prepared to remove the Other Indebtedness indicator from the master record.

2. The VA Form 29-4878 will be filed in the insurance folder if it contains evidence of deductions from insurance disbursements for finance indebtedness; otherwise, the VA Form 29-4878 will be disposed of.

### 12.03 PROCESSING REFUNDS TO REGIONAL OFFICES

a. When amounts are collected for finance indebtedness due the regional office, the Policy Service Clerk will request the Miscellaneous Accounts and Service **unit to** furnish them the claim number, appropriation code, regional office number and the amount of the finance indebtedness. When the information is received the following forms will be prepared:

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(1) **SF 1097**, Voucher and Schedule of Withdrawals and Credits, showing all pertinent information including the insured's name and appropriation.

(2) VA Form 29-5895a, Pending Transaction Input Card, or VA Form 29-8526, Pending Transaction, transaction type 098, to debit account 17 and credit account 52.

(3) VA Form 29-5800, Notice of Dividend Disposition, to notify the insured of the action taken.

b. All related material will be sent to the Voucher Audit unit for processing.

c. Upon receipt of the **SF 1097** in **the** Miscellaneous Accounts and Service unit, the clerk will post the amount being transferred to the regional office on the finance indebtedness card and reduce the amount of the indebtedness accordingly.

January 30, 1974

Part II

II

M29-I,

Change

### 12.04 SERVICE DEPARTMENT INDEBTEDNESS

a. Notices of service department indebtedness will be honored only if the amount of the indebtedness is \$5 or more, the insurance account is active and premiums are paid by other than an allotment.

b. When a service department requests assistance in recovering allotment payments which were not supported by deductions from the insured's service pay, request an RPO and take the following action:

(1) If the insured is paying premiums by deduction from service pay, the request for recovery will be returned to the finance center of the appropriate service with a dictated letter. The letter will advise the service of the facts involved and will request that the department collect the indebtedness from the insured's service pay.

(2) In all other cases, if the indebtedness is less than \$5, or if the insurance is inactive and no dividend is due, the request for collection will be returned with a letter of explanation.

(3) When returning a collection notice in accordance with subparagraph (1) or (2) above, the letter should include a statement that a charge for the indebtedness has *not* been placed against the insurance account.

(4) When a service department indebtedness is accepted for collection, the insured will be notified of the action. The other indebtedness indicator will be established on the master record. When these actions have been completed, the case will be recharged to the Miscellaneous Accounts and Service Unit where the following action will be taken:

(a) A flashcard will be prepared showing the insured's name, file and policy number, branch of service and the amount of indebtedness. (For ready identification the card used for this purpose should be of an opposite corner cut.) The flashcard will be filed in the Finance Indebtedness punched card file.

(b) At the time of the annual reconciliation of Finance Indebtedness accounts, a review will be made of the service department indebtedness cases and action will be taken in accordance with the following:

1. On inactive insurance accounts, the request for collection, together with any pertinent information on reduction in the amount of the indebtedness, will be returned to the service department unless the insured has made some repayment provision.

2. When review of the insurance folder shows that the policyholder has denied the indebtedness, and there is no evidence of subsequent confirmation of the indebtedness by the service department, the request for collection will be returned with any pertinent information.

3. When a collection notice is returned to the service department for any of the above reasons, the flashcard will be appropriately noted and filed in the insurance folder. The other indebtedness indicator will be deleted from the master record.

#### 12.05 PROCESSING REFUNDS **TO SERVICE DEPARTMENTS**

a. Prepare VA Form 4-706, Notice of Refund and Refund Work Sheet, for refund of any amount to the appropriate allotment office for a service department indebtedness. The following example illustrates the manner in which the address will be shown on the VA Form 4.706:

Example:      Government Insurance Allotment Division  
                  Finance Center, U.S. Army  
                  Indianapolis, Indiana 46216  
                  SS #16266602 J.J. Doe

b. Notify the insured of action taken.

(3) Dividends will be used to pay premiums in advance under the dividend *premium* option.

(4) The current dividend will not become due and payable under the *cash* or *deposit* option within 30 days from the date the TD Form 668A is received. In a case of this type, furnish the anniversary date of the policy for inclusion in the letter to the District Director of the Internal Revenue Service.

(5) The entire amount of dividend will be applied to repay premium, insurance overpayment or veteran's benefit indebtedness.

(6) No dividend will be payable because the policy is lapsed.

(7) If evidence of payment is presented by the insured within 90 days, delete the pending diary.

b. The Finance and Data Processing Division will return all copies of the TD Form 668A with a dictated letter to the District Director, Internal Revenue Service.

#### 12.09 ESTABLISHING LEVIES

If it is determined that the [levy] may be [processed], the Finance and Data Processing Division will be so advised and they will return part [31] of the TD Form 668A to the District Director, Internal Revenue Service. Processing the levy will be accomplished as follows:

a. Levy on **Loan** Value. Where the levy is received on the loan value of a policy which is not lapsed, or within the grace period of an unpaid premium, action to honor the levy will be taken as follows:

##### (1) Preliminary Action

(a) A dictated letter will be prepared to inform the insured that the notice of levy has been received and that under the Federal Tax Lien Act of 1966, the VA is required to abide by the levy. The letter will also advise the insured that, unless he submits proof within 90 days from the date of the letter that the delinquent tax has been satisfied, a loan will be established against his policy and the amount payable will be sent to the Internal Revenue Service to apply on the unpaid tax. In addition, the letter will include the following facts:

1. Amount of loan (maximum loan value if required) that will be established as of the end of the 90-day period;

2. Interest on the loan will be charged at the rate of 5 percent a year;

3. If there is an existing loan and/or lien, the amount that will be payable to the Internal Revenue Service after the present loan and/or lien, plus interest, are deducted;

4. If unpaid at the time the policy matures, the amount of the loan, plus interest, will be deducted from the amount payable; and

5. At any time the loan indebtedness equals or exceeds the cash value, the policy will be canceled.

(b) A copy of the letter to the insured will be sent to the Internal Revenue Service, addressed to the Revenue Officer at the address shown on TD Form 668A.

(c) VA Form 29-5895a, or 29-8526, transaction type 008, will be prepared to insert the diary message INT REV LEVY and to freeze the record so that the proceeds of the policy may not be disposed of before the end of the 90-day period.

(d) VA Form 29-5896a, or 29-8530, transaction type 080, will be prepared to insert the Other Indebtedness indicator on the master record.

(e) Parts 2 and 3 of TD Form 668A will be returned in the insurance folder.

**M29-1, Part II**  
**Change II**

January 30, 1974 \_\_\_\_\_

(2) **Final Action.** At the end of the 90-day period, if the delinquent tax has not been satisfied, the Internal Revenue Service will follow-up on the notice of levy. Upon receipt of the follow-up notice, action will be taken in accordance with the following:

(a) When prior to the end of the 90-day period, the insured fails to pay a premium, and more than 31 days have expired since the due date of the premium in default, the cash value has been used to purchase extended term insurance under the automatic provision of the policy and there is no loan value on which the levy may apply, the Internal Revenue Service will be so advised.

(b) If the policy is not lapsed, or is lapsed but the grace period has not expired prior to the end of the 90-day period after service of the levy on the VA, the levy will be honored in the amount which the insured could receive on such 90th day as a loan on his policy (cash loan value less premium in default). The following action will be taken:

1. Necessary input documents will be prepared to establish the loan clerically (maximum amount if required);
2. VA Form 4-706, will be prepared for payment to the Internal Revenue Service.
3. VA Form 29-1547, Application for Policy Loan, will be partially prepared for record purposes, as follows:
  - a. In appropriate spaces, enter insured's name, file number, policy number and amount of loan.
  - b. In space for address, show Internal Revenue Service and the address given on the TD Form 668A.
  - c. In space for additional instructions, enter the notation, *Loan automatically made under IRS levy. See copy of TD Form 668-A attached.*
4. The VA Form 29-1547 will be stapled to part 2 of TD Form 668A and filed in the insurance folder.
5. The folder with all forms attached will be routed to the Voucher Audit Unit, Finance and Data Processing Division, for review of all actions and vouchering of amounts payable. The folder with part 3 TD Form 668A will be returned to the Insurance Division.
6. A dictated letter will then be prepared to advise the insured of the action taken and the amount and effective date of the loan. The letter will repeat the following information which was contained in the first letter:
  - a. Interest at the rate of 5 percent a year will be charged and, if not paid by the anniversary date, will be added to the loan principal;
  - b. When the policy matures, any unpaid indebtedness will be deducted from the amount payable; and
  - c. At any time the total amount of the loan indebtedness equals or exceeds the cash value, the policy will be canceled.

7. Part 3 (taxpayer's copy) of the TD Form 668A will be enclosed in the letter to the insured.

b. **Levies on Amounts Other Than Loan Value.** When a levy is against a dividend or an amount due the insured, other than the loan value, take the following action:

(1) VA Form 4-706 will be prepared for payment to the Internal Revenue Service.

(2) When the amount of a pending transaction is disposed of, VA Form 29-5895a, or 29-8526, transaction type 098, will be prepared to delete the pending transaction from the master record. Control account 52 will be credited as the amount will be disposed of off tape.

**12-6**

**12-5**

January 30,1974

**M29-1,Part II  
Change 11**

(3) Where the current dividend will be due and payable within 30 days from the date the TD Form 668A is received, VA Form 29-5896a or 29.8530 will be prepared, using transaction type 080, to insert the Other Indebtedness indicator on the master record.

(a) At the time the dividend becomes payable, VA Form 4-706 will be prepared for payment to the Internal Revenue Service.

(b) VA Form 29-5896a or 29-8530 will be prepared, transaction type 080, to remove the Other Indebtedness indicator.

**May 12,1980**

(4) Part 2 of TD Form 668A will be filed in the insurance folder.

(5) The folder, with all forms attached, will be routed to the Voucher Audit [activity] , Finance [activity], for review of all actions and vouchering of amounts payable. The folder, with part 3 of TD Form 668A will be returned to the Insurance Division. A dictated letter will be prepared to advise the insured of the action taken. Part 3 of TD Form 668A will be enclosed.

**12.10 PROCESSING TD FORM 2876, REQUEST FOR VA INSURANCE POLICY DIVIDEND INFORMATION**

a. TD Form 2876 will be used when the District Director of the Internal Revenue Service does not know the debtor's insurance file and policy numbers, or the anniversary date of the debtor's policy(ies), or where the insurance records are located.

(1) If the District Director knows where the debtor's records are located, he [or she] will mail the TD Form 2876 direct to the appropriate VA center.

(2) If he [or she] does not know the debtor's insurance file and policy numbers, or where the debtor's insurance records are located, he [or she] will mail TD Form 2876 in an envelope marked D0 NOT OPEN IN **MAIL** R00M, to:

Office Operations Service [(032A1)1  
Veterans Administration  
Washington, D.C. 20420

(3) Upon indexing and location of the records, the TD Form 2876 will be referred to the appropriate VA center.

b. Upon receipt of the TD Form 2876 in the insurance Division, a record printout will be obtained and reviewed to determine the status of the insurance and whether any dividends will be due and payable in cash or placed on deposit on the next anniversary date of the policy(ies). Based on this determination, entries will be made on the TD Form 2876, below the caption, *To Be Completed by Veterans Administration*, as follows:

(1) If the debtor has one or more active participating policies on which dividends will be due and payable in cash or placed on deposit, enter in the Remarks block an appropriate notation *Dividends payable in cash, or Dividends placed on deposit*. Also, complete the blocks for Policy No., Anniversary Date of Policy and Dividend Payments Issued From.

(2) If the debtor has one or more active participating policies on which dividends will be applied to pay premiums in advance, or held as a dividend credit, enter in the Remarks block the notation, *No dividends to be paid in cash or placed on deposit*. Complete all other blocks except the one for Anniversary Date of Policy.

(3) If the debtor has one or more active nonparticipating (H, RH, [ ] J, JR or JS) policies, enter in the Remarks block the notation, *Non participating policy(ies)*. Complete the Policy No. block but do not complete blocks for Anniversary Date of Policy and Dividend Payments Issued From.

(4) if the debtor has both active participating and nonparticipating policies, use an appropriate combination of the entries outlined in subparagraphs {1), (2) and (3) above.

(5) If the debtor has one or more inactive policies, enter "policy(ies) \_\_\_\_\_ (numbers) block.

c. After being endorsed, TD Form 2876 will be returned to the address on the reverse side of the form.

## 12-2

### M29-1, Part II Change 11

January 30,1974

c. Prepare VA Form 29-5895a, or 29-8526, transaction type 098, to delete the pending transaction from the master record. Credit account 52 if the entire amount is disposed of off tape, either as payment of off tape lien indebtedness, or as a VA Form 4-706 refund. If any part is disposed of on tape, credit account 39.

d. Prepare VA Form 29-5895a, or 29-8526, transaction type 008, to insert a pending transaction for any amount to be refunded by the system.

e. If a dividend repays the entire indebtedness, prepare VA Form 29-5896a or 29-8530, transaction type 080, to remove the Other Indebtedness indicator from the master record.

f. Send the material to the Voucher Audit Unit, for review of all actions taken and vouchering of refunds. After vouchering, the input documents will be sent to the Data Control Unit, and the insurance folder will be returned to the file.

## SUBCHAPTER 2. TAX LEVIES

### 12.06 GENERAL

a. The law authorizes the Internal Revenue Service to levy upon the property of a taxpayer who owes delinquent taxes. This makes the rights to NSLI (National Service Life Insurance) and USGLI (U.S. Government Life Insurance) subject to levy.

b. The rules for honoring tax levies against Government life insurance policies will be followed as outlined in

part I, chapter 9.

#### **12.07 PRELIMINARY PROCESSING**

a. [If the levy is to be served against the loan value of a policy, the VA will receive] parts 2 and 3 of TD Form 668A, Notice of Levy, [ 1 from Internal Revenue Service [ ]. Part I of the [notice has been used by Internal Revenue Service to notify the insured of the levy. Upon receipt of the notice of levy, the Finance and Data Processing Division will forward part 2 of the notice to the] Insurance Division [for processing and will retain part 3 pending action by insurance personnel.]

b. [If the levy is to be served against the dividends of a policy that are payable to the insured, the VA will receive 3 parts of the notice of levy. Upon receipt, the Finance and Data Processing Division will sign and record the date and time of receipt on each part of the notice. Part 1 will be returned to Internal Revenue Service as soon as possible after the entries have been made. Part 2 will be forwarded to the Insurance Division for processing and, if appropriate, notifying the insured. Part 3 will be retained pending action by insurance personnel.

c. Upon receipt of the notice of levy in the Policy Service Section, the insurance folder and an RP0 will be obtained and reviewed to determine if the levy may be processed from any amounts becoming due on any policies of the insured.]

#### **12.08 LEVY NOT ESTABLISHED**

a. If the indebtedness cannot be recovered, parts 2 and 3 of TD Form 668A will be returned to the Finance and Data Processing Division with a memorandum stating the reason recovery cannot be effected, such as:

(1) The levy was received more than 31 days after the due date of an unpaid premium. In such cases, the cash value has been used to purchase extended term insurance under the automatic provision of the policy and there is no cash loan on which the levy may apply.

(2) Dividends will be held as a credit to prevent lapse, as provided by law.

February 13,1979

**M29-1, Part II**

Advance Manual Change No. 4-85

September 4, 1985

Chapter 13. Returned Mail

- A. **Change:** M29-1, Part II, Chapter 13. **This change incorporates the use of the Insurance Terminal System in the processing of returned mail items.** It also eliminates the requirement that **certain returned mail initially be remailed to the same address** without development. **References to processing undeliverable checks have been removed since they are contained in Advance Manual Change 5-85 of Chapter 14, Liability Master Records.**
- B. **Procedure:** Delete Chapter 13 in its entirety **and** substitute the attached **replacement.**
- C. **New or Revised**  
**Insurance Forms:** **None**

PAUL F. KOONS

Acting Assistant Director for Insurance

DISTRIBUTION:

|             |     |
|-------------|-----|
| 335/29      | 92  |
| 310/290     | 51  |
| 310/291     | 111 |
| 310/Library | 1   |
| 203/SDA     | 2   |
| CO/311D     | 2   |

September 18, 1975

310-24  
c~/=-~A

d. The Accounting Section entry will show a debit to Accounts Receivable with a contra credit to MTC.

e. The Accounting Section will forward two copies of the journal voucher to **the Insurance Division (292)** with a request that they be advised of the day number in

which the insured's account was updated. In all cases **the** insurance input will reflect a debit to the MTC (39) account.

f. A monthly reconciliation will be made between the Collections Section pending file and the Accounting Section general ledger balance.

g. **When the** credit advice is finally received from the Federal Reserve Bank, it will be forwarded to the Accounting Section to close out the accounts receivable balance. =

cc: 290

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=-=-2=

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**TO Chief Policy Service Section (292)**

**DATE:** November 20, 1975

Chief, Finance Division (24)

**SUBJECT:** Receivables - Check proceeds Due From Federal Reserve Bank"

In accordance with instructions in CO letter dated September 10, 1975 from **Field Director Area 1-** the following items are submitted:

| NAME CODE | FILE#          | POLICY# | PMD OF<br>REMITTANCE | AMOUNT  | PURPOSE |
|-----------|----------------|---------|----------------------|---------|---------|
| RAM       | v522 60 51     | . V051  | 6-5-75.              | \$19.00 | PREMIUM |
| MUL       | V236 91 95     | V195    | 9-11-75              | \$32.00 | "       |
| CAR       | FRS 1765 91 91 | 191     | 10-5-75              | \$22.10 | "       |
| MAE       | FRH 1798 91 31 | 131     | 9-20-75              | \$97.00 | "       |

**PLEASE ADVISE THE DAY IN WHICH THE INSURED'S ACCOUNT WAS UPDATED.**

**J. FALLS**

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## **CHAPTER 13. RETURNED MAIL**

### **13.01 GENERAL**

- a. Unclaimed or undeliverable mail will be received in the originating section with the insurance folder. The 1010, Life e Inquiry screen will be viewed to compare the current insurance record mailing address to the return mail address.**
- b. Returned mail associated with liability accounts will be discussed in Chapter 14.**
- c. An attempt will be made to locate each veteran whose mail has been returned by the post office as unclaimed or undeliverable. The effort made will be commensurate with the urgency of the correspondence.**
- d. A notification for change of address which is unsigned or signed by a third party will be accepted for insurance purposes. Requests for change of address received over the telephone may be accepted if the employee is satisfied that the request is genuine.**
- e. When a current address is obtained, the master record is updated and the original correspondence, if it is still applicable and meaningful, is remailed.**

### **13.02 PROCESSING RETURNED MAIL**

- a. Check the folder and 1010 screen to see whether there is another, more recent, address available. If there is, remail the correspondence to the new address.**
  - (1) A different address on the 1010 screen is assumed to be more recent than the one on the returned mail unless there is evidence in the folder to the contrary.**
  - (2) The returned material should not be retyped or reprocessed to reflect the new address. Instead, a VA Form 29-5785, Address Insert Slip, should be used and a VA Form 29-5934, Change of Address for Insurance Purposes, enclosed for the future use of the insured.**
  - (3) If the new address is not shown on the 1010 screen, but was recovered from the folder, the ADDR screen will be accessed to update the address in the master record.**
- b. If a current address is not immediately obtainable, the following steps will be taken based upon the method of premium payment.**

**(1) If the policy is paid for by deduction from benefits (How Paid 3) or premiums are waived because of disability (How Paid 5), request a MINQ screen. How Paid Codes 3 and 5 indicate that there is a strong possibility that the veteran is receiving compensation or pension payments from the VA. The MINQ screen will give the address to which these checks are being sent. The MINQ screen may also be used if the account shows How**

13-1

**b. Whenever a positive returned mail indicator is not removed when an address change is processed, the system will process the change of address and generate an RPO with reason code 071. Examine returned correspondence, if any, attached to the inside of the folder. If it is still applicable, send it to the new address. If it is not, dispose of it in accordance with Records Control Schedule VB-1, Part 1, Section IX, 9-000.050 which states that correspondence, forms and form letters which have been returned unclaimed to the Insurance Center, and have no record value, should be destroyed. Letters of disagreement, requests for evidence, notices of award or denial of claim or material containing information in addition to that for which it was designed, should be retained.**

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that the correspondence is not damaged. When a monthly Premium packet is returned unclaimed, file only the first premium notice card and the enclosure envelope, properly noted. Dispose of the remaining notices and retain the pack of return envelopes for reuse. When a new mailable address is received, a new monthly packet will be released by down dating the billing code in the master record.

#### 13.03 DEVELOPING FOR CURRENT ADDRESS

a. If the premiums are paid directly, or there is loan indebtedness on the policy, check the postmark date of the latest remittance and compare it to the original postmark date of the returned mail. If the postmark date of the remittance is more recent, request a recordak print of the remittance and examine it for a better address. If no address is shown and the remittance is a personal check, release a VA Form Letter 29-16a, Request for Current Address, to the bank on which the check was drawn, soliciting assistance in locating the veteran. The VA Form Letter 29-16a should contain the insured's social security number and should be accompanied by a copy of the check and a return envelope. If any banking institution appears to be reluctant to supply an address, release a letter to the bank asking them to forward the communication to the veteran.

b. Release & VA Form 7C-3443, Address Information Request, to the postmaster of the city, state and zip code of the latest address of record.

c. Release a VA Form Letter 29-16, Request for Current Address, to all beneficiaries, principal and contingent, with an address different from that of the veteran, or to any other third party of record who may know the whereabouts of the veteran. If no third party is available, make a note in the folder to that effect with the date. If it appears that no request for address information has been sent to the occupant at the address of record, release a VA Form Letter 29-16 to that address.

#### 13.04 THE RETURNED MAIL INDICATOR

a. When a direct remittance is processed after the returned mail indicator is established, an RPO, reason code 274, will be generated. Take clerical action as outlined in paragraph 13.03 to obtain a current address.

b. Whenever the system processes a cash dividend, a cash withdrawal from a dividend credit/deposit account or a pending disbursement transaction, and the returned mail bit is on, the payment is established as a liability and an RPO, reason code 616, is generated. The procedure for processing reason code 616 RPO's is outlined in Chapter 14, paragraph 14.03, System Generated Liabilities.

#### 13.05 PROCESSING ADDRESS CHANGES AND REMAILING CORRESPONDENCE

a. When a change of address is received directly into the Policy Service Section, process any returned mail in the folder as directed in subparagraph 13.05B.

**Paid Codes O, 1, 2, 4, 8 or 9; a claim number; and a RO Juris Code other records are retired. A current address, therefore, is not available.**

(2) **If the MINQ screen does not provide a better address, prepare input transaction type 080 to insert the return mail indicator. Inserting the returned mail bit triggers the system to release a VA Form 29-5982, Request for Address Information, to the occupant at the address on the 1010 screen. If, however, the address on the 1010 screen is military or foreign or general delivery; if it consists of a post office box number, an RED or star route or a town or state only; or if it is the address of a hotel or similar institution or a fiduciary, the form will be disposed of in accordance with Records Control Schedule VB-1, Part I. The returned mail bit should be inserted at this time regardless of the suitability of the address for VA Form 29-5982. Further action may be taken as described in paragraph 13.03.**

(3) **If the policy is paid for by allotment, insert the returned mail bit as described in paragraph 13.02b(2). This will trigger the system to release a VA Form 29-334, Request for Address Information - Allotment Accounts, to the appropriate service department, unless the allotment is made from Army Retired pay. If the VA Form 29-334 does go out, no further action need be taken until a response is received. If it is not released because the allotment is made from retired pay, or the VA Form 29-334 fails to yield a more current address, follow the procedures described in paragraph 13.03.**

(4) **If the account is on How Paid 8, payroll deduction, direct the Collections Unit to contact the insured's employer for a current address. If that is ineffective, insert the returned mail bit as described in subparagraph 13.02b(1) and pursue sources listed in paragraph 13.03.**

(5) **If the account is on How Paid 9, direct pay, insert the returned mail bit for the release of VA Form 29-5982 and develop as necessary in accordance with paragraph 13.03.**

(6) **If a VA Form Letter 29-5, which advises a veteran of eligibility for RH insurance, is returned unclaimed, release a teletype to the regional office which furnished the disability rating, requesting a better address. The original VA Form Letter 29-5 and the carbon copy should be kept together until a response is received. If the regional office has no better address, file the returned VA Form Letter 29-5 in the insurance folder and destroy the carbon copy. If an insurance folder has not yet been established, the returned VA Form Letter 29-5 will also be destroyed.**

**c. Further development of any case should be undertaken as warranted by the merits of the individual case and the importance of the correspondence returned to the VA. Resources should be selected care(fully) to meet the need for a current address without causing unnecessary and repetitive folder recall.**

**d. All action taken in pursuit of a new address should be noted in the insurance folder, preferably on the file copy of the original correspondence, if available. The returned correspondence should be attached to the inside of the folder for remailing when a new address is obtained. Care should be taken**

August 31, 1971

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Change 3

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**TO** Chief, **Insurance Operation** Division (291)  
**From** Chief, Finance Division (24)  
**SUBJECT** Accounts Receivable - Federal Reserve Bank

DATE : September 15, 1975

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1. Situations occur **where** an insured's remittance is processed by our office to the Federal Reserve Bank and subsequently a debit voucher is received from the **Federal Reserve Bank indicating the check was lost**.
2. After downdating the insured's account and notifying him, he produces a copy of the paid check.
3. We then contact the Federal Reserve Bank requesting a credit so that we can update the insured's account. However, past experience indicates this is an extremely slow process.
4. On September 10, 1975, we received authority from Central Office which will enable us to expedite this part of the procedure by **permitting** us to establish an accounts receivable with the federal Reserve Bank and update the insured's account without waiting for the Federal Reserve Bank Certificate of Deposit.
5. The procedure discussed and agreed to by your representative is as follows:
  - a. In those few cases referred to **where you receive a copy of a paid** check from an insured, the check will be routed to our collections Section (245) with a **request that an accounts receivable (FRB) be established**.
  - b. Our Collections activity will photocopy the check and forward it to the Federal Reserve Bank requesting they process a credit advice to clear our records. A pending file of photocopies will be maintained by the Collections Activity.
  - c. A copy of the letter to the Federal Reserve Bank will be forwarded by the Collections Section to the Accounting Section to prepare a journal voucher and appropriate input to the GLEGS/GLUD System.

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the **SF 1098** number will be left blank. The TD Forms 1664X, the insurance folder, if available, and **all sup.** porting documents required for the cancellation will be forwarded to the Voucher Audit [activity **ill** the] Finance [activity]. They will enter the schedule number on the **SF 1098** and in the appropriate block of the stamp on the reverse side of each [ ] form [ ]. The TD Form 1664X [and/or VA Form 4.4472] will be filed in the insurance folder. A copy of the **SF 1098** will not be filed in the folder.

j. The Treasury regional disbursing office will not hold undeliverable checks for more than 6 months from the month of issue. If the originating VA office does not authorize disposition of the checks within the 6-month period, the Treasury regional disbursing office will schedule the checks on **SF 1185**, Schedule of Undeliverable Checks for Credit To Government Accounts, for credit to Budgetary Clearing Account (**Suspense**), **36F3875** of the originating VA office. The SF 1185 will not be sent to the VA office for approval. They will note the form, Maximum Retention Period Expired-Checks Deposited on C/D No. \_\_\_\_\_ dated \_\_\_\_\_. The original and 1 copy of the form will be sent to the originating VA office. The VA office, upon receipt of the form, will == account for the deposit accordingly. They will also review items recorded in account 36F3875 on a current basis and process adjustments to transfer amounts to the appropriation or fund account originally charged for the disbursement or the appropriate succeeding account.

**13.05 PROCESSING UNDELIVERABLE CHECKS RETURNED TO THE VA**

All undeliverable checks that are returned to the VA are sent to the agent cashier.

a. Checks that are returned because of an incorrect address for the payee will be processed as follows:

(1) The agent cashier will prepare a VA Form [4] .4472, [ ], and forward it, together with any correspondence that was returned with the check, to the proper operating element.

(2) Action will be taken as outlined in the preceding paragraphs to determine the current address of the payee.

(3) If the check is to be remailed, a dictated letter of transmittal will be prepared explaining the reason for the remailing. Include any necessary instructions about the endorsement. The letter will be sent to the agent cashier for attachment of the check and release to the payee.

(4) If a new address is obtained and it is confirmed by the payee with identifying information and signature the undeliverable check will not be canceled because of the incorrect address. Instead, a VA Form 29.5785 will be prepared and sent to the agent cashier with a letter of explanation. The agent cashier will mail the check to the current address by using the VA Form 29-5785.

(5) If the check is to be canceled, [it will be canceled as outlined in paragraph 13.04i.]

b. Checks that are returned because the name of the payee is incorrect will be processed as follows:

(1) Upon receipt of the VA Form [4] -4472 from the agent cashier, determination will be made if the name of the payee has been changed as a result of a court order or by marriage. If so, and the name has not been

changed in the insurance records, a change of name will be processed and the correct name entered in the master record. =

(2) If it is determined the payee's name was not changed but was incorrect in the master record, the master record will be corrected.

(3) When the payee's correct name is established, an **SF 1147** will be prepared. The original of the SF 1147 will be signed, to the left of the official certification, by personnel designated to authorize refunds or otherwise listed as designated employees. The original and a copy of the SF 1147 will be routed to the agent cashier. A copy of the SF 1147 will be filed in the insurance folder. The agent cashier will attach the invalid **deck** to the original **SF 1147** and return them to the Treasury regional disbursing office.

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lapse letter is involved, follow instructions outlined in subparagraph f below. When an allotment account 15 involved, follow instructions outlined in subparagraph h below. The file copy of the correspondence, if any, will be noted to show the address to which an item was remailed and the date remailed.

f. When returned mail is received the second time (readily identifiable by the green-striped VA Form 29.8395), the folder and RPO will be reviewed again for a better address. If a better address is not available, determine if the postmark date of the last remittance is later than the original date of flu returned mail. A recordak print of the latest remittance will be requested for the purpose of obtaining a better address if one appears thereon. If no address (of the veteran) is shown and the remittance is a personal check, FL 29.16a [ ] will be prepared showing the insured's social security number and will be mailed to ilk bank on which the check was drawn, soliciting their assistance in locating the veteran. A return envelope will accompany the letter. If any banking institution appears reluctant to supply an address, a letter will be released to the bank asking them to forward the communication to the veteran. An envelope will be enclosed to forward the communication. In addition, an FL 20 [ ] will be released. If no replies are received within 30 days or if negative replies are received, an FL 29.16 [ ] will be released. Release a third-party request to all beneficiaries (principal and contingent) with an address different from that of the veteran, or to any other pertinent third party of record. If no appropriate third party is available, note the correspondence, if any, No Third Party Available, and date.

g. The returned mail indicator will be entered in the master record (except on how paid 7 accounts-section 724 waiver) by preparation of a VA Form **29.5896a, Life** Input [Card], or VA Form 29-8530, Life/Miscellaneous, transaction type 080. For how paid 7 accounts, a VA Form 29.150, Request for Service Information, will be prepared and released. Upon return of the fon~, the information contained therein will determine the appropriate action to be taken. When an RPO is used as a source document for entering the returned mail indicator, it will be coded in red to show RM to the left of the file number caption in the pending transactions area and 1 in the Returned Mail block. The completed RPO's will be sent in a separate batch to the [Analysis and Control Division] in the data processing center.

h. When the returned mail indicator is inserted in the master record, the system will automatically generate a VA Form 29-5982, Request for Address Information, or a VA Form 29-334, Request for Address Information-Allotment Accounts. The VA Form **29-5982** will be released to the occupant at the address of record for other than allotment accounts. The VA Form 29-334 will be released to the service department concerned on all allotment accounts except for those which are being paid from Army Retired allotment pay.

(1) The types of addresses unsuitable for an occupant inquiry are as follows:

- (a) Military or foreign.
- (b) General delivery.
- (c) Post office box number.
- (d) RFD or star route.
- (e) Town **and** State only.
- (f) Hotels or similar institutions.
- (g) Fiduciaries (guardian, custodian, conservator, etc.).

(2) When VA Forms 29-5982, with an unsuitable address as shown above, are received, they will be disposed of in accordance with Records Control Schedule VB-1, part I, since an FL 29-16 has been or will be released to a designated beneficiary and/or third party as appropriate.

i. When a direct remittance is processed after the returned mail indicator is established, an RPO, reason code 274, will be generated. Clerical action will be taken to obtain a current address as outlined in subparagraph f above.

## CHAPTER 13. RETURNED MAIL AND UNDELIVERABLE CHECKS

### 13.01 GENERAL

**a. Unclaimed or undelivered mail will be received in the originating section with the insurance folder and VA Form 29.5886b, [ 1 b~urnnce Record Printout attached.**

= **b. TD Form 1664X, Returned Check Notice, representing an unclaimed or undelivered check issued in connection with a Government life insurance contract, will be received in the Policy Service Section with the folder and an RPO (record printout) attached.**

**c. Every effort will be made to obtain a current address on all items returned by the Postal Service as undeliverable. When a current address is obtained, the master record will be updated.**

**d. A notification of change of address which is unsigned or which is signed** by a third party will be accepted for insurance purposes.

e. Telephone requests for change of address may be accepted for insurance purposes. The following procedure

will be taken when such requests are received:

(1) The caller will be asked where his or her insurance records are located.

(2) The VA employee receiving the call will complete VA Form 29-5934 or VA Form **29-889**, Change of Address for Insurance Purposes.

(3) The employee must exercise good judgment and a certain amount of caution before completing VA Form 29-5934. If the insured or someone acting for the insured is calling, he or she should be able to furnish the policy number. If the beneficiary of an insurance claim is calling, he or she should be able to furnish the claim number.

(4) If the employee is not satisfied that the request is authentic, the caller should be instructed to submit the request in writing.

#### 13.02 PROCESSING RETURNED MAIL

a. The returned mail will be examined to determine if the contents are still applicable. If not applicable, the contents will be disposed of in accordance with Records Control Schedule VB-1, part 1.

b. If the contents still apply, and information in the folder and/or on the RPO provides a more recent address, the returned item will be mailed to the new address. It will be assumed that a different address on a current RPO is a more recent one even though that assumption cannot be substantiated by reviewing the folder.

c. If the folder provides a more recent address not shown on the RPO, in addition to redirecting the returned mail, a VA Form 29-5934 will be prepared to change the address on the master record. [ 1

d. Whenever a new address is available, the returned material will not be retyped or reprocessed to reflect the better address. Instead, a VA Form 29-5785, Address Insert Slip, will be used. A VA Form 29-5934 will be inserted with the returned material for the future use of the insured. If the returned material is being mailed to an inservice address, the social security number of the insured will be included in the address.

c. If the folder and RPO fail to disclose a new address, the returned material (except lapse letters and allotment accounts) will be remailed to the same address. Additionally, the remailed material will be accompanied by a VA Form 29-8395, Change of Address for Insurance Purposes, and a return envelope. When a

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to the same address without substantiating evidence or information that the address is currently correct. However, a VA Form 29-218 will be released to the same address. When the address on the RPO is the same as that on the TD Form 1664X, and it has been determined that it is the current address, the TD Form 1664X will be noted, Remail Check to Same Address. After the form is initialed and dated, it will be returned to the Treasury regional disbursing office.

c. When a current address is obtained from the insurance folder, RPO, or late remittance, prepare a TD Form 1664R, Request to Remail Undeliverable Check and/or Bond, in triplicate. Enter the check number and date of check on the left side of the form and the insurance numbers and the account number on the right side of the form. Enter the

current date, name and new address of the payee. The third copy of the TD Form 1 664R will be signed by a Policy Service Technician. Stamp copy 3, Ready for File, and staple it on top of the TD Form 1664X. The forms will be filed in the insurance folder. A VA Form 29-470, Notice, (to be enclosed when a returned deck is remailed to insured at a better address), and a VA Form 29-5934 will be attached to the completed TD Form 1 664R. The TD Form I 664R, original and copy, will be placed on top of the VA Form 29-470 and VA Form 29-5934, paper-clipped together in that order, and sent to the Voucher Audit [activity] for review and release.

d. If a current address is not found, insert the returned mail indicator in the master record as outlined in paragraph 13.02 and make every effort to secure a better address.

c. When the TD Form 1664X indicates that the check was returned because of an incorrect name, determine if the name of the insured has been changed as a result of a court order or by marriage. If so, and the name has not been changed in the insurance records, process the change of name and enter the correct name in the master record. If the insured's name was not changed but merely incorrect in the master record, prepare SF 1147, Request for Issuance of Replacement Check Due to Error in Name and/or Designation of Payee, in triplicate. The original will be signed, to the left of the official certification, by personnel designated to authorize refunds or otherwise listed as designated employees. The original and a copy of the SF 1147 will be sent to the Finance [activity] for certification and forwarding to the regional disbursing office. A copy of the SF 1147 and the TD Form I 664X will be filed in the insurance folder.

[(Subparagraphs f through h deleted.)]

i. When it is necessary to cancel an undeliverable check [ ], the following action will be taken:

(1) A stamp will be impressed on the reverse side of the TD Form 1664X [or the VA Form 4-4472, Returned Check Worksheet.]

(2) The stamp will appear as follows:

Check is proper for cancellation.

~ On-Tape

Reason for Cancellation

~ Off-Tape (No input)

For off-tape cancellations, indicate below the purpose for which check was originally issued:

~ Dividend \_\_\_\_\_  
Year

E) Cash Surrender  
~ Other (Explain)

RO# \_\_\_\_\_  
XC # \_\_\_\_\_

~ Premium Refund

~ Policy Loan

SF 1098 Number \_\_\_\_\_

Signature of Authorizing Employee

(3) The stamp must fit the reverse side of the TD Form I 664X. Holes should be punched at the bottom of the form before stamping so as not to remove any data. All necessary information will be entered. However,

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a. When it is necessary to cancel an undeliverable check that was returned directly to the VA; an SF 1098, in triplicate, will be prepared. The following information will be entered on the form:

- (1) Department or Establishment-Veterans Administration [ 1.
- (2) Bureau or Office-Center.
- (3) Location-Address of VA Center.
- (4) Sheet number-I of 1 or 1 of 2, 2 of 2, etc.
- (5) DO Symbol No.-Treasury Regional Disbursing Office symbol number (303).
- (6) Date of Issue-The date the check was issued.
- (7) Check number-The number of the check to be canceled.
- (8) Payee -The name of the payee and the file number as they appear on the check.
- (9) Voucher Number Applicable-The reason why the check is being canceled.
- (10) Amount-The amount of the check.
- (11) Symbol of Appropriation or Fund to be Credited -The appropriate symbol number.
- (12) After the last check listed on the form enter the name and title of the Policy Service Technician for his [or her] signature.
- (13) Total-Show the total dollar amount of all listed check(s).

b. The Policy Service Technician will sign the **SF 1098**.

c. The reason for cancellation will be shown on the related worksheets.

d. All copies of the SF 1098 will be sent to the Voucher Audit [activity] for assignment of a schedule number and signature.

e. The Voucher Audit [activity] will forward the **SF 1098** to the agent cashier for the attachment of the check(s) and mailing to the Treasury regional disbursing office.

f. Upon return of the copy of the **SF 1098**, it will be stamped "Ready for File," and sent for filing in the insurance folder.



Chapter 14. Liability Master Records

- A. Change: M29-1, Part 11, Chapter 14. This advance manual change is issued in conjunction with Advance Manual Change No. 4-85 to clarify and update clerical procedures for processing returned checks and liability disbursements. In particular, this change reflects the new Treasury Department procedure for canceling returned checks immediately upon receipt, and the elimination of monetary and age restrictions governing disbursement of liabilities through Voucher Audit.
- B. Procedure: Delete Chapter 14 in its entirety and substitute the attached replacement.
- C. New or Revised  
Insurance Forms: None.

PAUL F. KOONS  
Acting Assistant Director for Insurance

DISTRIBUTION:

|             |     |
|-------------|-----|
| 335/29      | 92  |
| 310/290     | 51  |
| 310/291     | 111 |
| 310/Library | 1   |
| 203/SDA     | 2   |
| C0/311D     | 2   |

## CHAPTER 14. LIABILITY MASTER RECORDS

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## CHAPTER 14. LIABILITY MASTER RECORDS

## 14.01 GENERAL

- a. A liability is established whenever a sum of money payable to an insured cannot be delivered for reasons beyond the control of the VA.
- b. Liabilities are created when a check is returned to the Treasury Department as undeliverable, or when a system-generated disbursement is suppressed by the returned mail and/or disbursement pending indicator in the master record. Insertions, deletions and changes to the Liability Master File can also be made through clerically prepared input.
- c. If a liability amount has a corresponding inforce master record, the amount of the liability will be disbursed automatically when an appropriately coded change of address input is received into the system.
- d. If a liability amount does not have a corresponding Inforce Master Record, the amount can still be disbursed automatically. In addition to the address change input, an appropriately coded life input, showing the payee's full name is required.
- e. Transactions affecting the Liability Master File are documented on the daily transaction history list, or the final portion of the daily,, reject list captioned "Liability Accounting, Reject List and Master Printouts. A list of liabilities associated with any particular file number will be printed under "Liability Accounting, Reject List and Master Printouts," upon request.
- f. Basic liability information can be obtained through access of the liability inquiry screen 1500. Basic liability data will consist of total number of liability records, liability record number, amount of individual liability, grand total of all liabilities, fund, object code and insured's identifying data if available. When more than three liabilities exist for the file number, a liability extract inquiry screen 1501 is available and should be used.
- g. Public Law 91-291, whereby a claim for unpaid dividends declared prior to January 1, 1952, will not be honored, is not a bar to the payment of these special dividends where they have been established as liability accounts.

## 14.02 RETURNED CHECKS

- a. Cancellation of Returned Checks

(1) When checks issued in connection with insurance contracts are returned to the Treasury Department as undeliverable, the Philadelphia Regional Disbursing Center cancels them immediately and provides Finance Division with a TD Form 1664X, Returned Check Notice, for each check.

(2) Insurance-related checks returned to the VA are sent to the Agent Cashier Unit.

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(a) Checks that are returned because the insured elects to use the money to pay premiums or to repay a loan are deposited in Collections as transaction type 201 or 301 items, using the postmark date on the envelope.

(b) Checks that are returned for any other reason are forwarded to the Treasury Department Regional Disbursement Center for cancellation and the preparation of the TD Form 1664X. If the check has been returned by a third party indicating that the payee is deceased, the related material is annotated showing the amount of the returned check and forwarded to the Insurance Awards (Death Claims) Section, 295.

b. Establishment of Liability Accounts

(1) The TD Forms 1664X are forwarded to the Finance Division at regular intervals, accompanied by a separate Standard Form 1098, Schedule of Cancelled Checks, for insurance in-force and insurance awards returned checks and a corresponding list, by fund or appropriation, of individual checks, in account digit order, totaled by fund.

(2) The Finance Division forwards the in-force TD Forms 1664X to the Analysis and Control Division of the Data Processing Center for keypunching VA Forms 29-8328, Liability Account Input Card, two duplicate work decks and record printout (RPO) requests. An IBM listing of the VA Forms 29-6328 including an item count and total dollar amount is also generated. One of the work decks will be stamped CHECK CANCELED - LIABILITY ESTABLISHED. This is forwarded with the TD Forms 1664X to the Insurance Files Section for association with an RPO and the insurance folder. The second work deck is also sent to Files to be used for folder recharge. The Liability Account Input Card is used to enter the new liability account into the Liability Master File. This action also places the returned mail and pending disbursement indicators in the master record.

(3) The IBM listing is then returned to the Accounting Section, Finance Division for comparison with the Standard Form 1098 from Treasury.

(4) TD Forms 1664X which indicate that the payee is deceased are sent with the folder, RPO and VA Form 29-6328 to the Death Claims Section. TD Forms 1664X pertaining to live cases are forwarded to the Policy Service Section along with the RPO, insurance folder and liability workcard.

NOTE: Each TD Form 1664X contains a code in the lower left margin indicating the reason the check has been returned. The interpretation of all the codes used appears in the upper left margin. If there is correspondence or other material attached to the form, the code is omitted. On death cases where the date of death is known, the date of death and the appropriate code appear on the form.

c. Processing TD Forms 1664X

(1) Upon receipt in the Policy Service Section, the TD Forms 1664X are screened for those representing checks issued as a result of a loan, cash

surrender or matured endowments. These forms receive priority attention. If ~ the check amounts cannot, or for some reason should not be redisbursed ~ immediately, reversal action must be taken, and the check amounts retrieved

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from the liability fund. Guidelines for the processing of TD Forms 1664X associated with loans, cash surrenders, or matured endowments are specified in M29-1, Part II, Chapters 8, 9 and 10 respectively.

(2) The Policy Service Technicians examine each of the remaining TD Forms 1664X to determine the reason the check was returned.

(a) If the TD Form 1664X indicates that the check was returned because of an incorrect name, determine if the name of the insured has been changed as a result of a court order or by marriage. If so, and the name has not been changed in the insurance records, process the change of name and enter the correct name in the master record. If the insured's name was not changed but merely incorrect in the master record, correct the master record. In either case, the check should be reauthorized for disbursement to the correct payee.

(b) If the TD Form 29-1664X is received with an indication that the check is being returned because the payee does not want it, take action to transfer the money from the liability fund to the originating fund.

(c) If the TD Form 29-1664X indicates that the check was returned because it could not be delivered, every effort will be made to secure a better address. The technician should follow the same procedures as outlined in Chapter 13 for returned mail. If a better address is not immediately available, file the TD Form 29-1664X in the folder, note all action taken to locate a new address, and return the folder to files. The folder will be retrieved again when the developmental correspondence is returned.

#### 14.03 SYSTEM GENERATED LIABILITIES

a. When the disbursement function processes a cash dividend, a cash withdrawal from a dividend credit/deposit segment, or a pending disbursement transaction and return mail is indicated on the master record, a liability account is created for the amount of the disbursement transaction. A VA Form 29-5886b, Insurance Record Printout, is generated by the system showing reason code 616.

b. The RPO generated with reason code 616 will be sent to the Insurance Files Group for pulling of the insurance folder. Upon receipt of the folder it will be reviewed to make certain that all appropriate actions have been taken to obtain a new address. Any such actions omitted will be taken at this time. Note the action taken or no action necessary, as appropriate, on the RPO, initial and file in the insurance folder.

#### 14.04 ADDRESS CHANGES WITH DISBURSEMENT OF LIABILITY AMOUNTS

a. When a new address is received in the Policy Service Section, the Technician will prepare VA Form 29-5891a, Address or Trailer Input, with transaction type 081, and file the original source document in the folder. The input document(s) are then sent to Voucher Audit for review before insertion into the daily processing runs. All inputs are assigned a special batch and

- originating element code in Voucher Audit to indicate that they have been reviewed. If there is a master record on tape, and the pending disbursement

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bit is on, the address change input document will change the address on the master record, turn off the returned mail and pending disbursement indicators and trigger the automatic lump sum disbursement of all liabilities associated with the file number.

b. If a change of address is inserted that does not contain the special batch Voucher Audit coding, the address in the master record will be updated and the returned mail indicator turned off, but the liability amount will not be disbursed. Instead, an RPO with reason code **LIAB** will be generated. Upon receipt of the reason code LIAB RPO, the Policy Service Technician will review the case and if appropriate, prepare a second 29-5891a, Address Change Input, with transaction type 081, using the address shown on the RPO. The case will be routed through Voucher Audit for assignment of the special batch and originating element code. This input will then trigger disbursement of the liability and turn off the disbursement pending indicator.

c. When there is no Insurance Master Record, a VA Form 29-5896a, Life Input, Transaction Type 080 will be prepared in addition to the address change input. The case will be routed through Voucher Audit for assignment of the Special Batch and Originating Element Code.

#### 14.05 CLERICAL PROCESSING OF LIABILITY TRANSACTIONS

a. A VA Form 29-8328, transaction type 036, can be used to clerically enter a pending disbursement record into the liability master file. The completed input document should be sent to Voucher Audit along with the insurance folder and related material. Voucher Audit will verify the transaction, assign a 9T batch number and introduce the VA Form 29-8328 into the daily processing runs. The insertion of the 29-8328 will turn on the returned mail and pending disbursement indicators and establish the liability amount in the liability master file. A separate record number will be maintained for each liability amount associated with the same policyholder. A maximum of 30 liabilities can be maintained on tape for any one file number.

#### b. Making Changes in a Liability Record

(1) A VA Form 29-8328, transaction type 034, can be used to add any information to an existing liability item, or to change any of the data of record, except the file number.

(2) The record number for the liability record to be affected must be shown on the VA Form 29-8328. This number can be obtained by viewing the Liability Inquiry screen 1500 or the Liability Extract Inquiry screen 1501.

#### c. Deleting Liability Records

(1) A VA Form 29-8328, transaction type 035, can be used to delete a pending disbursement record clerically from the Liability Master File. Disbursement or disposal of liability amounts must be accomplished clerically when:

- (a) disbursement is to be made to a recipient or address other than that of record,

- (b) the liability amount must be disposed of in some way other than cash disbursement,
- (c) the liability record was inserted with an incorrect file number or life fund and must be reinserted,
- (d) the liability master record is being transferred from one office to the other.

(2) To delete all liability records for a file number, enter 00 in the Record Number field and the full amount of liability in the Amount field on VA Form 29-8328. The system will automatically remove the returned mail and disbursement pending indicators on the insurance master record.

(3) To delete an individual liability master record, enter the number of the record involved in the Record Number field and the amount of the liability for that particular record in the Amount field on the VA Form 29-8328. The Record Number may be obtained by viewing the Liability Inquiry screen 1500 or the Liability Extract Inquiry screen 1501.

(4) To transfer a liability record from one office to the other, prepare and release input to delete the liability record(s). Also furnish the Finance Division with a memorandum requesting preparation of VA Form 1033, Interoffice Transfer Voucher, and citing identification information pertinent to the liability record(s). The office receiving the records will, upon receipt of VA Form 1033 from the Finance and Data Processing Division, prepare and release the input to establish the liability record(s) identified on the form. ADP control account 09 will be used on the input involved in these transactions.

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#### 14.06 CLERICAL DISBURSEMENT OF A LIABILITY AMOUNT

- a. When a liability amount is disbursed outside the system by means of VA Form 4-706, Notice of Refund and Refund Worksheet, ADP control account 52 will be credited on the input.
- b. When a liability account(s) is to be included in a death award, total and permanent disability award, cash surrender or matured endowment, ADP control account 09 will be credited on the liability input.
- c. As of August 30, 1968, liability records with N numbers only, where the amount of the liability was \$25 or more were identified and cards were punched, interpreted and listed; and were forwarded to the Central Office Index Division to note the existence of the outstanding liability on the master index cards. When one of these liabilities is disposed of during the lifetime of the insured, VA Form 07-7213, Index and Locator Master Record File Maintenance Input Sheet, will be prepared requesting the liability indication be deleted from the BIRLS master record. The form will be sent to the Teletype Unit.

#### 14.07 TRANSACTION LISTINGS

- a. Liability transactions processed will be printed on the daily transaction history list. A record printout is not provided for in the maintenance of the liability master records. The list captioned, Liability Accounting Reject List and Master Printouts, will provide a record of liabilities associated with any

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given file number if a 29-8328 is inserted for that file number with OO in the Record Number field and a transaction type 034.

b. The types of liability transactions that will appear on the daily transaction history list are as follows:

| Transaction Type | Description                                                                                 |
|------------------|---------------------------------------------------------------------------------------------|
| 030              | Name change.                                                                                |
| 034              | Clerical change in liability record fields and request for list of liability master record. |
| 035              | Clerical delete.                                                                            |
| 036              | Clerical insert.                                                                            |
| 606              | System generated dividend payment insert.                                                   |
| 609              | System generated premium refund insert.                                                     |
| 629              | Request for disbursement from liability master record.                                      |

c. Disbursement Object Code (Type of disbursement)

|                                       |                                          |
|---------------------------------------|------------------------------------------|
| O-Noncash dividend                    | 5-Cash surrender                         |
| 1-Cash dividend                       | 6-Loan                                   |
| 2-Cash withdrawal of dividend credit  | 7-Refund to estate of insured            |
| 3-Cash withdrawal of dividend deposit | 8-Regular annual dividend (current year) |
| 4-Refund                              | 9-Liability refund                       |

#### 14.08 DELETION AND DISBURSEMENT OF LIABILITIES

A VA Form 29-8364, Insurance Liability Delete/Disbursement Card, will be generated when a liability amount is deleted or disbursed. If the liability amount was deleted, rather than disbursed, the amount and zip code fields on the card will be blank. The card will be filed in the insurance folder to be used as an audit trail.

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## CHAPTER 14. LIABILITY MASTER RECORDS

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## CHAPTER 14. LIABILITY MASTER RECORDS

### 14.01 GENERAL

a. When checks issued in connection with insurance contracts are returned to the Treasury Department as undeliverable, TD Forms 1664X, Returned Check Notice, are received. The second TD Forms 1664X, with a machine listing of items and amounts for checks still undeliverable 5 months after the month of issue, are sent by the Philadelphia Disbursing Center to the Finance and Data Processing Division. After the forms are screened for checks issued as benefit payments, the remaining TD Forms 1664X are forwarded to each Insurance Officer or his designee for control.

b. TD Forms 1664X will be sent to the DPC (data processing center) for keypunching of VA Forms **29-8328**, Liability Account Input Card, duplication of [a workdeck], a record printout request, and the printing of an IBM listing of the VA Forms **29-8328**, including item count and total dollar amount. One of the work decks will be stamped CHECK CANCELED-LIABILITY ESTABLISHED. After completing their action, the DPC will return the TD Forms 1664X together with the VA Forms **29-8328**, the work decks of duplicates, and the IBM listing.

c. VA Forms **29-8328** and IBM listing will be sent to the Accounting Section, Finance and Data Processing Division, for preparation of SF **1185**, Schedule of Undeliverable Checks for Credit to Government Accounts. After preparation of the SF 1185, the VA Forms **29-8328** will be sent to the Data Control Section for insertion into the daily processing runs to establish the liability. The TD Forms 1664X and the stamped work deck of duplicates (VA Forms **29-8328**) will be sent to the appropriate Policy Service Section for processing. The other work deck will be sent to the Insurance Files Group, Administrative Division, for pulling of the insurance folders.

d. The Policy Service Clerks will review the folders to make certain that all appropriate actions have been taken to obtain a new address since the original notice of returned check was received. Any such actions omitted will be taken at this time. The original TD Form 1664X in the folder will be stamped to indicate that the check has been canceled.

e. When it is determined that a better address is not currently available, VA Form 07-7210, Request for Index and Locator Information, will be prepared requesting a search for claim number and claims folder location. The form will be sent to the Teletype Unit. The workcard will be filed in the insurance folder.

f. Upon receipt of a response to the request for search of claim number and claims folder location and the response shows a claim number, request the insurance folder. Upon receipt of the insurance folder, remove the liability workcard and enter thereon the full name of the veteran, claim number and office of jurisdiction. The card will be mailed to the regional office with a letter requesting that the latest address of record, and the date thereof, if available, be obtained from the claims folder and entered on the card, and the card returned to the originator. If the response does not show a claim number, it will be stamped Ready for File and sent to the Insurance Files Group for filing in the insurance folder.

g. When the cards are returned from the regional offices, they will be associated with the insurance records to see if the addresses furnished are more current than those of record. A VA Form **29-218**, Notice of Refundable Credit, will be released for each insured, regardless of whether or not the address from the claims folder is different from that in the insurance records, unless VA Form **29-218** or a similar document was sent to the address before and returned unclaimed.

h. If it is necessary to reduce or increase the dollar amount, follow procedure as outlined in paragraph 14.05. If a current address is obtained [and it is not necessary to reduce or increase the dollar amount,] follow procedure as outlined in paragraph 14.03.

i. Prior to October **3, 1966**, liability accounts were maintained clerically. A VA Form **9-5879**, Returned Check/Pending Refund/Cash Dividend Control Card, was used to maintain a record for the pending disbursement.

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j. If the entire file number was missing when the liability records were being converted to tape, bogus numbers were assigned consecutively for each record using the V-prefix code.

k. Public Law 91-291, whereby a claim for unpaid special dividends declared prior to January 1, 1952, will not be honored, is not a bar to the payment of these special dividends where they have been established as liability accounts.

&1. A liability record for miscellaneous payments due insurance award beneficiaries will be maintained on the liability account master record. These are payments which remain due after the face amount of the policy has been paid. The liability established for these credits will be included with the controls mentioned in MP-4, part V, Chapter 8. The award liabilities will not be automatically generated nor disbursed by the system. There will be only one record for each name and only one amount will be shown. Input will be clerically prepared by the Accounting Section, Finance aid Data Processing Division.]

**14.02 SYSTEM GENERATED LIABILITIES**

a. When the disbursement function processes a cash dividend, a cash withdrawal from a dividend credit/deposit segment, or a pending disbursement transaction and return mail is indicated on the master record, a liability account is created for the amount of the disbursement transaction. A VA Form 29-5886a, RPO (Record Printout) or VA Form 29-5886b, Insurance Record Printout, is generated by the system showing reason code 616.

b. The RPO generated with reason code 616 will be sent to the Insurance Files Group for pulling of the insurance folder. Upon receipt of the folder it will be reviewed to make certain that all appropriate actions have been taken to obtain a new address. Any such actions omitted will be taken at this time. Note the action taken or no action necessary, as appropriate, on the RPO, initial and file in the insurance folder.

**14.03 DISBURSEMENT OF LIABILITY AMOUNTS**

a. An address change input document VA Form 29-5934, Change of Address for Insurance Purposes, or VA Form 29-5891a, Address or Trailer Input, transaction type 081, introduced into the daily processing runs will cause automatic disbursement of a liability amount if:

- (1) There is a corresponding insurance master record;
- (2) The total amount to be disbursed is less than \$75;
- (3) The date of the item(s) is less than 6 months old and
- (4) The insurance master record indicates there is a disbursement pending.

b. A special indicator must be set on the liability master record before a disbursement can be accomplished if:

- (1) The total amount to be disbursed is \$75 or more;
- (2) The date of the item is 6 months older or more; or
- (3) There is no insurance master record.

The special indicator is set when an address change transaction does not meet the edits and is rejected for a voucher audit review.

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c. When an insurance master record exists and the total amount to be disbursed is \$75 or more, or the date of the item is 6 months old or more, an address change input document introduced into the daily processing runs will:

- (1) Change the address on the insurance master record;
- (2) Turn off the returned mail and disbursement pending indicators;
- (3) Set the special indicator on the liability master record and
- (4) Reject the address change input document for assignment of a *special batch number* (ST). The legend LIAB will appear in the first line of address on the reject input.

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The reject input will be sent to the Voucher Audit Unit for assignment of a special batch number and to be reintroduced into the daily processing runs for disbursement of the liability amounts. The insurance folder will accompany the reject if the input had not previously been reviewed by the Voucher Audit Unit when initially introduced into the system.

d. When there is no insurance master record, a VA Form 29-5896a, Life Input, transaction type 080, and VA **Form 29-5891a** will be prepared and sent to the Voucher Audit Unit for assignment of a CT batch number. The

input will be inserted into the system where it will be rejected after setting a special control bit on the liability **record**. The rejected input documents will be sent to the Voucher Audit Unit for verification and the assignment

of a special ST batch number for reintroduction into the system to disburse the liability. The insurance folder will accompany the reject if the input had not previously been reviewed by the Voucher Audit Unit when initially

e. In every instance in which there is no insurance master record, the miscellaneous change and address input must be sent to the Voucher Audit Unit for assignment to a CT batch number to permit the input to move through the daily processing runs to set the special bit. The setting of the special bit will

allow a miscellaneous change, transaction type 080, and address change, transaction type 081, input with an ST batch number to disburse **the** liability amount.

[f. Insurance award liabilities exist on death cases when the insurance was not in force at the time of death and credits existed on the account. These credits **are** refundable **to** the estate of the insured. These award liabilities are maintained as **a** part of the regular insurance liability file, and **can** be identified on the liability listing as object code 7 items. Any actions required to insert, delete or refund object code 7 cases are the responsibility of the Finance Division at the Philadelphia VA center or the Finance and Data Processing Division **at** the St. Paul VA center.]

#### 14.04 ADDRESS CHANGES

a. Requests for a current address will be coded with a red **L** in the lower margin of the form or form letter released.

b. All address changes, identified as related to a liability **record**, will **be copied** on an address change input document. The source document will be noted as to the action taken and filed in the insurance folder. The input transaction(s) will be sent to the Voucher Audit Unit for review before insertion into the daily processing **runs to trigger a** disbursement.

c. **When an** item rejects because it did not contain **a** special batch number, and the insurance records do not show **a** valid source of the address, it will be necessary to write to the veteran. **The** veteran will be requested to submit over his **or her signature** identifying information; i.e., date of birth and service number or social security number. When received, this information, together with an address change input, will be sent to the Voucher Audit Unit.

#### 14.05 FILE MAINTENANCE TRANSACTIONS

a. **Processing Insert Transactions.** When **a** pending disbursement is to be clerically entered in the liability master record, a VA Form 29-8328, transaction type 036, will be prepared. The input document, insurance folder and related material will be sent to the voucher Audit Unit for verification and assignment of a T batch number, and introduction into the daily processing runs. The returned mail and disbursement pending indicators will be turned on automatically. **The** programs will assign a record number to each separate liability for the same policyholder. It is possible to maintain 30 liabilities on tape for each insurance file number.

##### b. **Processing Change Transactions**

(1) A VA Form 29-8328, transaction type 034, will be clerically prepared when a liability item was previously created and additional information is to be placed in the record and/or any of the data are **to be** changed.

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(2) The record number field will identify the record for **a** particular file number to be changed. To secure **a** listing of all liability records for a file number, **a** VA Form 29-8328 will be prepared showing 00 as the record **number**. These **items will be listed** on the daily list captioned, Liability Accounting, Reject List and Master Printouts.

##### c. **Processing Delete Transactions**

(1) A VA Form 29-8328, transaction type 035, will be prepared when action is taken outside the system to disburse or dispose of a liability amount, or an error in inserting a liability master is such that a change transaction will not suffice; i.e., incorrect **file** number or incorrect life fund.

(2) To delete all liability master records for a file number, 00 will be entered in the Record Number field and the full amount of liability in the Amount field on VA Form 29-8328. The system will automatically remove the returned mail and disbursement pending indicators on the insurance master record and generate an RPO reason code 072.

(3) To **delete** an individual liability master record, the number of the record involved will be entered in the Record Number **field**, and the amount of the liability for that particular record in the Amount field on the VA **Form** 29-8328.

(4) Liability master records **are** not automatically transferred [ j **and** must be deleted to effect the transfer. When transferring a liability **record** from one office to the other, input will be prepared and released to delete the liability record(s). Also, furnish the Finance and Data Processing Division with a memorandum requesting preparation of VA Form 1033, Interoffice Transfer Voucher, **and** citing identification information pertinent to the liability record(s). The office receiving the records will, upon receipt of VA Form 1033 from the Finance and Data Processing Division, prepare and release the input to establish the liability record(s) identified on the form. ADP control account 09 will be used on the input involved in these transactions.

(5) When a liability amount is disbursed outside the system by means of VA Form 4-706, Notice of Refund and Refund Worksheet, ADP control account 52 will **be** credited on the input.

d. When a liability account(s) is to be included in a death award, total and permanent disability award, cash surrender or matured endowment, ADP control account 09 will **be** credited on the liability input.

e. As of August 30, 1968, liability records with N numbers only, where the amount of the liability was \$25 or more were identified and cards were punched, interpreted and listed; were forwarded to the Central Office Index Division to note the existence of the outstanding liability on the master index cards. When one of these liabilities is disposed of during the lifetime of the insured, VA Form 07-7213, Index and Locator Master Record **File** Maintenance Input **Sheet**, will be prepared requesting the liability indication be deleted from the BIRLS master record. The form will be sent to the Teletype Unit.

#### 14.06 REJECTS

All transactions not meeting the required edits will be automatically coded and rejected. The reject reason code will be indicated on the card that is output from run 130 or 140. These items will appear on the daily transaction reject list. The reject reason codes are listed and defined in **MP-6**, part II, supplement No. 1.4.

#### 14.07 TRANSACTION LISTINGS

a. Liability transactions processed will be printed on the daily transaction history list. A **record** printout is not provided for in the maintenance of the liability master records. Therefore, the list captioned, Liability Accounting Reject List and Master Printouts, will be used to record listings of liabilities, when requested.

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b. The types of liability transactions that will appear on the daily transaction history list are as follows:

| Transaction Type | Description                                                                                  |
|------------------|----------------------------------------------------------------------------------------------|
| 030              | Name change.                                                                                 |
| 034              | Clerical change in liability record fields and request for list of liability master records. |
| 035              | Clerical delete.                                                                             |
| <b>036</b>       | Clerical insert.                                                                             |
| <b>606</b>       | System generated dividend payment insert.                                                    |
| 609              | <b>System</b> generated premium refund insert.                                               |
| 629              | Request for disbursement from liability master record.                                       |

[c. **Disbursement Object Code** (Type of disbursement)

|                                              |                                          |
|----------------------------------------------|------------------------------------------|
| 0-Noncash dividend                           | <b>5-Cash S</b> surrender                |
| <b>1-Cash</b> dividend                       | 6-Loan                                   |
| <b>2-Cash</b> withdrawal of dividend credit  | 7-Refund to estate of insured            |
| <b>3-Cash</b> withdrawal of dividend deposit | 8-Regular annual dividend (current year) |
| 4-Refund                                     | 9-Liability refund J                     |

#### 14.08 DELETION AND DISBURSEMENT OF LIABILITIES

A VA Form 29-8364, Insurance Liability Delete/Disbursement Card, will be generated for a delete transaction or disbursement of a liability. The card will reflect whether the transaction is a delete or a disbursement. The amount and ZIP code fields will be left blank, if the transaction is a delete. This card will be filed in the insurance folder to be used as an audit trail.



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CHAPTER 15. BENEFICIARY AND OPTION DESIGNATIONS

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a. Most designations or changes of beneficiaries and/or selection of optional settlement are received on VA Form 29-336, Designation of Beneficiary and Optional Settlement. However, many others are received and/or [are] a part of other insurance forms. B&O designations received on, or as a part of other forms, are categorized as a formal designation. Informal requests for B&O designations are those received in writing over the signature of ilk insured and, provided the insured's intentions are clearly stated, are also acceptable.

b. All B&O designations that are a part of, or accompany any medical underwriting actions requiring the attention of a **Lay** Medical Approver, will be controlled and processed in the Medical Determination Section. All others will be processed in the Policy Service Sections.

c and d. (Deleted.)

e. B&O designations, both formal and informal, will be received in the Policy Service Sections accompanied by matching VA Forms 29-5886b, Insurance Record Printout. when multiple actions are indicated in connection with any B&O designations, and the insurance folder is needed to complete the other actions involved, none of the material will be separated. **The** priority of routing will be to the Policy Service Section via the [Insurance Files Section], and then to the operating element having responsibility for the additional processing.

f. Disbursement actions such as refunds, dividends, loans and cash surrenders, will take priority over B&O changes.

g. All acceptable B&O designations are microfilmed for security purposes. Each microfilm reel is identified by a five-digit number, the first three of which represent the reel number which corresponds to the processing day number within a calendar year (I through 365; 366 for leap year). The final two numbers represent the last two digits of the processing year. This reel number is entered in ilk master record and appears in flu policy segment of all RPO's. Whenever a reel number of 00000 appears on an RPO, it is an indication that no B&O designation has been recorded since ilk security program commenced in late 1958.

h. The procedures for handling B&O designations apply whether the forms are processed in the Medical Determination or the Policy Service Section.

i. B&O designations for RH TEMPORARY MASTER RECORDS will not be processed until the insurance is issued.

## 15.02 INITIAL PROCESSING BY POLICY SERVICE TECHNICIANS

The B&O designations will be reviewed to insure the following:

a. That each designation is properly signed; initials and surname are sufficient. The name represented by the signature must correspond with the name of the insured appearing on the RPO (record printout).

b. The designation of beneficiary and selection of option should be sufficiently clear to provide no difficulties in effecting settlement should a claim arise. (See M29-I, pt. I, ch. 26.)

c. The basic B&O designation, VA Form 29-336, is a two-part form, the second part of which, after processing, is returned to the insured for his or her records. Other VA forms on which B&O designations are made do not provide a copy for this purpose. Therefore, all B&O designations that are made on forms other than a VA Form 29-336 must be photocopied to provide a copy to be returned to the insured. Processing will not be initiated by a Policy Service technician unless a

A- duplicate copy accompanies the original. It is the responsibility of the designated [technician] to provide a photocopy of all

~ formal B&O designations that are received without a duplicate copy.

d. The initial examination should determine that the policies to which B&O designations are applicable are properly

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**May 12, 1980**

identified. If the RPO indicates that the insured has only a single policy in **force**, **all** B&O designations, whether formal or informal will be identified with both the file and policy numbers plus identifying prefixes of both. If more than one policy is in force, and the insured clearly indicates that a B&O designation applies to all policies in force, all applicable policy numbers and corresponding prefixes plus file number and prefix will be entered on the applicable designation(s). If file and/or policy number identification not entered by an insured, but supplied instead by a Policy Service technician will be entered in red on the designation. When file and policy number identification is supplied by the [local] Index Unit, care must be exercised to ascertain that the numbers (usually penciled notations) apply to the B&O designation(s) being processed. If this determination is affirmative, the numbers supplied by the [local] Index Unit will be entered or traced in red, as applicable. When multiple policies exist, a clear indication that a B&O designation applies to all policies in **force** will be assumed in those instances when the insured indicates one of the following:

(1) Correspondence by itself or accompanying an application implies that the designation is applicable to all contracts. The word ALL in the column entitled, Share to Each or Amount to Each, is insufficient for its **purpose** unless the insured supplies the identification for all active policies on the B&O designation.

(2) A B&O designation is acceptable if the Share to Each or Amount to Each column contains an amount or amounts (in lieu of fractions or decimals), the total of which equals the full amount of insurance in force.

(3) If the insured does not submit a form for each policy in force but completes item 2 or 3 on the VA Form 29-336 for one of the active accounts, process the request. [An FL 29-727 will be prepared to invite a change to the additional policies.] Complete items 2 and 3 of VA Form 29-336 for each additional active

account and attach to [FL 29-727] for release to the **insured**. In the lower right corner of the designation processed, enter "VA Form 29-336 [released] for policy number

(4) When more than one VA Form 29-336 is received and no number or the same number is shown in block 3 of all of the forms, the following action will be taken:

(a) If the number of VA Forms 29-336 received is the same as the number of active policies and the designations on all the forms are the same, they will be accepted, if otherwise in order.

(b) If the number of VA Forms 29-336 received is not the same as the number of active policies, or if the designations on the forms are not the same, a new VA Form 29-336 for each active policy, showing the file number in block 2 and the policy number in block 3, will be sent to the insured requesting clarification of his or her intent.

*NOTE: As a result of the special B&O mailings, when a VA Form 29-336 is released for each policy in separate envelopes, some insureds occasionally return the completed forms in separate envelopes and they are not always received [at the same time. FL 29-727] will not be released upon receipt of a single VA Form 29-336 with a cut corner and the insured has more than one policy.*

e. When B&O designations are accompanied by RPO's representing pending RH issues which are identified by the legend, Temporary Master Record, the Policy Service technician will requisition the folder and file the designation therein. The designation will be processed by a Lay Medical Approver if and when the insurance is issued.

f. When a B&O designation is received with an insurance folder and without an accompanying RPO, the folder will be examined to determine if there is insurance in force that would require the establishment of an insurance master record.

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y

**M29-1, Part II  
Advance Manual Change N**

**November 10, 1982**

**Chapter 15 - Beneficiary and Option Designations**

**A. Change: M29-1, Part II, Chapter 15.**

**B. Procedure: 1. Add ??Note?? before paragraph 15.02d as follows:**

**Note: The latest revision of VA Form 29-336 (June 82) cancels all prior beneficiary and option selections, and unless indicated in item #5 on the form, this designation applies to all Government life insurance policies under that file number. Other B&O Designations, both formal and informal, will continue to be processed as outlined in paragraph 15.(.)2d.**

**2, Paragraph 15.02d, after the first sentence add the following:**

**(Where the new revision of VA Form 29-336 (June 82) is used, the designation will apply to all policies, unless the insured indicates which policy or policies it is intended for.)**

**C. New or Revised Insurance Forms:           None**

**ROBERT W. CAREY  
Assistant Director for Insurance**

**DISTRIBUTION:**

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**September 30, 1977**

**M29-I, Part II  
Change 14**

*NOTE: A contract on extended insurance that has not expired is considered insurance in force.*

(1) If it is determined that a master record should be inserted an attempt will be made to obtain an **RPO**. If the input document rejects because it failed to match an item on the master record, the input documents necessary to establish a master record on tape will be prepared. The **B&O** designation will be inserted at the same time and the folder returned to file.

(2) If the review of an insurance folder discloses that a **B&O** designation applies to a USGLI (United States **Government Life** Insurance) contract that has matured because of permanent and total disability, the designation will be processed as any other designation. Additionally, a VA Form 3230, Reference slip [will be prepared showing] the insured's full name, file and policy numbers (including prefix) and the security reel number. The VA Form 3230 will be forwarded to the Operations and Input Section, Finance and Data Processing Division, for the preparation of VA Form 24-8223, Award Policy Input Card #2-ADP, to update the Insurance Awards master record.

(3) If the review of an insurance folder discloses that the designation applies to a matured endowment or to a cash surrendered contract, payable in monthly installments, the

designation will be examined to determine its acceptability. The insured may only elect that the present value of any remaining unpaid guaranteed installments upon his **or** her death be paid to the beneficiary in one sum or continue to be paid under the option originally selected for payment of the endowment or cash surrender proceeds. If any other optional mode of settlement is selected or if the designation is not clear, a statement will be prepared on bond paper [with a] tissue copy for the **folder** and forwarded **to** the insured for [ J completion and signature. The heading will be in capital letters; i.e.:

**NATIONAL SERVICE LIFE INSURANCE DESIGNATION OF  
BENEFICIARY-MATURED ENDOW**

MENT or CASH SURRENDER).

Six spaces below the heading will be typed:

I, **the** undersigned, under (endowment or cash surrendered) policy no. \_\_\_\_\_, the proceeds of which **I have** elected **to** receive in ( monthly installments or as a refund life income), elect that any remaining installments **due** or **to** become due at my death shall be payable as follows: \_\_\_\_\_

A copy of the incomplete or inadequate designation will be enclosed with the letter. A **B/O** reel number will be assigned and the designation will be photocopied. Additionally, a **VA** Form 3230 will be prepared as outlined in subparagraph (2) above.

(4) If a review of the insurance folder discloses that there is no insurance in force, the **B&O** designation will be filed in the folder without additional processing. The insured will be advised by letter that there is **no** insurance in force and that no action has been taken on the **B&O** designation. If any of the insured's contracts are eligible for reinstatement, he or she should be advised of the reinstatement requirements. Reinstatement requirements should not be included if the folder discloses evidence of a medical rejection. An opinion will be obtained from a **Lay** Medical Approver as to whether or not reinstatement requirements should be furnished.

**g.** In all instances, when reviewing a **B&O** designation and sufficient clarity is lacking, or the designation is incomplete or illegible, it will be processed as outlined in paragraph 15.04.

**15.03 ADDITIONAL PROCESSING BY POLICY SERVICE TECHNICIANS**

**a.** Upon verification that **B&O** designations meet the conditions outlined in paragraph 15.02, the Policy Service technicians will initiate additional processing as follows:

(1) All acceptable **B&O** designations submitted **on VA** Forms 29-336 will be completed by entering the current **B&O** security reel number in the item captioned **FOR VA USE ONLY** which is located in the upper right **portion of** the form. Additionally, the Policy Service technician will enter his or her signature and the current date on the bottom portion of the form in the spaces provided.[.]

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**(2) Acceptable B&O designations that are submitted on other VA forms will be completed by superimposing an APPROVED stamp to which will be added the signature of the Policy Service technician and the current date. This stamp serves as an indication that actions related to the basic form or application have also been approved. The B&O security reel number will be entered in any available clear space in the upper right portion of the form, preferably in the item captioned For Use of VA Index.**

**(3) Acceptable informal [B&O designations] will be completed by superimposing [an INFORMAL B&O stamp [ ] to which will be added the [current date and initials] of the Policy Service technician. The current B&O security reel number will be entered on [the B&O designation J in the upper right portion of the correspondence. [No development will be taken for clarity or to obtain missing information. Instead, a VA Form 29-336, will be sent to the veteran. The Policy Service technician will enter the insured's name, address, full number and full policy number on the VA Form 29-336, before releasing. In addition, VA Form 29-8769, Important Notice-Regarding Receipt of Informal B&O Designation, will be attached to the lower part of VA Form 29-336. A copy of the acceptable designation will not be mailed to the veteran.]**

**(4) The RPO's accompanying the B&O designations will be used as source documents, whenever possible, for preparing the input required to enter the B&O reel numbers in the master record. [ ] VA Form 29-5934, Change of Address for Insurance Purposes, will be used to insert the change of address and/or social security number. Whenever the RPO is required for some other action and cannot be used as a source document, the necessary input documents will be prepared. Extreme care should be exercised when processing B&O designations on multiple-policy cases to insure that the correct RPO is selected for updating the master record. [ J When a single designation is applicable to more than one policy, the RPO's (or other input documents) representing all the policies to which the designation is applicable, should be processed.**

**b. The originals of all B&O designations will be stamped Ready for File and accumulated by a general clerk who has the responsibility for batching them for delivery to personnel in charge of the [security] microfilm operation. The duplicate copy of all [FORMAL] B&O designations will be released for mailing to the insureds. [ ]**

**15A**

~9-1, Part II

Advance Manual Change No. **6-80**

**November 24, 1980**

- A. Issue Affected: ~9-1, Part II.
- B. Purpose: **To revise procedure** when trustee is named as beneficiary without a statement that **the VA** has no liability to see that the trustee properly disburses the proceeds.
- C. Text: Page 15-5 - Delete paragraph 15.O4f and substitute the following:

15.O4f

"When a trustee is named as beneficiary, the designation will be accepted without any development, **even if it** does not contain a statement that the VA has **no** liability as to how the trustee disburses the proceeds."

- D. New or Revised  
Insurance Forms: Form Letter 29-727

BERT W. CAREY  
Assistant Director or Insurance

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*p*

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Change 16

c. The RPO's which will serve as source documents will be controlled and batched at a central point throughout flu day and forwarded to the DPC for the preparation of input documents. Input documents prepared by Policy Service technicians will be similarly controlled.

d. All completed designations will be batched, prominently identified as B&O designations, and delivered on a daily basis to the Administrative Division. A high priority will be established for associating and filing these designations in the insurance folders. [When] , a folder for an active account has been retired to a Federal records center, the processed designation will be used as authority to reactivate the folder.

#### 15.04 PROCESSING IRREGULARITIES

a. Any B&O designation that fails to comply with M29- I, part I, chapter 26, that lacks clarity; that is incomplete or -illegible; or fails to comply with the guidelines outlined in this chapter, will be considered an irregularity and will require communicating or corresponding with the insured. In most instances, deficiencies with respect to missing information and incomplete or unacceptable designations, can be clarified by use of (FL 29-727.) When this letter is [ J unsuitable, a dictated or [AT (automatic typewriter)] letter may be used. [The latest edition of] VA Form 29-336 [ ] should be enclosed with flu letter. The B&O designations will be entered and become a part of the permanent insurance records after processing (microfilming, etc.). In these cases, the duplicate copy will be mailed to the insured with the [FL 29-727] and the [ ] VA **Form** 29-336.

b. When a designation cannot be **made** a matter of record because it is unsigned, it will be returned to the insured with a letter of explanation. If there are other discrepancies on the designation, the letter will also explain them to the insured. When appropriate, a VA Form 29-336 will be enclosed for the use of the insured. The designation will not be processed nor a diary established for followup purposes.

c. and d. (Deleted.)

e. When a designation contains two or more principal or two or more contingent beneficiaries and the survivorship clause is not shown, clarification will be requested from the insured.

*NOTE:* Clarification will not be required in those cases when *the* designation appears on a form which explains how *the* proceeds will be paid in the event the survivorship clause is not included.

f. When a trustee is named as beneficiary, the designation should identify flu trust and include a statement that flu insured acknowledges that the Veterans Administration has no liability to see to flu application of flu proceeds of [U.S.] Government Life Insurance by ilk trustee to the fulfillment of the purpose of the trust. If the designation does not include the statement, a VA Form 29-336 will be prepared showing the statement and released to the insured **with** a request for his [or her] signature.

(I) The insured may designate a trustee as beneficiary by Last Will and Testament without specific naming of such trustee in the beneficiary document in his [or her] insurance records. Under these circumstances, flu insured will be asked to complete, sign and return a VA Form 29-336 on which the following statement has been typed in the principal or contingent block, as applicable:

1 designate as (principal) (contingent) beneficiary the trustee named under my Last Will and Testament; however, if evidence satisfactory to the Veterans Administration is furnished that no trustee can qualify to receive the proceeds, payment shall be made to my estate.

The insured will be informed he is limited in his [or her] selection of optional settlement to Options 1 and 2.

\_\_\_\_ (2) If the insured submits a Standard Bank Trustee form which states it is approved by The American Bankers Association and it is properly completed, it will be accepted as a designation of beneficiary and election of optional settlement. The Policy Service [technician] will enter ilk designation by dating and signing the bottom portion of the form in the spaces provided. After processing is completed, the duplicate of the form, or a photocopy if an original only is received, will be

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**released to the insured or to the bank if it is clear** from the correspondence received from the bank that the bank is representing the **insured**.

**g.** If a contingent **beneficiary was** not named, ilk insured will be requested to complete another VA Form 29-336, if he **[or she] desired to do so**.

*NOTE:* This action will not be taken if *the* insured completed a form which contained the information that if no contingent is named, it will be assumed that none is desired.

**h. [If] Option 2 is selected and ilk number of installments are** not shown, clarification will be requested.

*NOTE:* If *the* form contains the statement that the beneficiary may choose payment over a period of 36 to 240 months, when *the* number of months was not indicated by the insured, clarification will not be required.

**i. If more than one principal or more than one contingent beneficiary is shown and the share to each is not shown, the case will be further developed. However, if the phrase SHARE EQUALLY or SHARE AND SHARE ALIKE is added to the designation, development is not necessary.**

**j. When the designation provides that the proceeds of the insurance be withheld until the beneficiary(ies) reaches a given age, the insured will be informed that the VA cannot withhold payments under these conditions.**

**k. A beneficiary's own first name should be shown on a designation of beneficiary. If it is not shown, the insured will be requested to furnish the name(s). If the beneficiary's address is not shown, no further development is necessary.**

**l. Relationship of flu beneficiary to flu insured should be shown for identification at the time of a claim. If relationship is not shown, it will be requested, except when the beneficiary named is a firm, corporation or legal entity.**

m. If the insured has more **than one** contract **and submits** a VA Form 29-336 for one policy only, he [or she] will be **sent a VA Form 29-336 for each of the active** contracts. (See NOTE in par. I5.02d for exception.)

n. **The insured may provide that settlement should not be made to a beneficiary unless flu beneficiary survives the insured by a given number of days (Common Disaster Clause).** In such cases the designated period cannot exceed 30 calendar days. If **more than 30 days are requested**, the **insured** will be informed of the restriction and requested to complete another VA Form 29-336.

o. **Since the VA cannot be responsible for how the proceeds of flu insurance will be used after payment has been made to the beneficiary**, any reference to **such a statement on a designation** should be brought to the attention of the insured. He [or she] will be **requested to complete another form**, omitting such reference.

p. **No development is necessary if the signature and/or address of a witness is missing.**

q. When an **inquiry or a designation of beneficiary is received** in which the insured has indicated that the purpose of the inquiry or **change** is to **comply with a court order** prohibiting or directing a change of beneficiary a letter will be sent to the **insured. He [or she] will be advised that under the law** and the policy provisions, an insured [may not] divest himself [or herself] of **ilk** ownership of a policy, **nor can he [or she] make a irrevocable beneficiary designation.** The insured at all times has the **right to change ilk beneficiary of a Government life insurance** policy without the consent of such beneficiary even though he [or she] **has entered into an agreement not to do so.**

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A

**Change 15**

r. If the insured submits a VA Form 29-336 with Option **I** preprinted on the form and enters a different option without deleting the preprinted **I**, [or] if a form is received with additional words, marks or accompanying evidence that makes the intent of the insured as to the option [selected] questionable, it will be necessary to clarify the designation. [If, during routine review of an insurance folder, the option selected on the latest beneficiary designation is questionable, a letter will be released requesting clarification.]

s. when a copy of a previously accepted beneficiary designation is used to request a change of beneficiary and/or option, it will not be accepted unless each change is clearly initialed or otherwise marked to indicate it is the act of the insured and the copy is redated. A VA Form 29-336 will be released with a request that the insured complete, sign and return the form to confirm the change.

t. Whenever the insured designates the beneficiary as **SAME AS PRIOR DESIGNATION**, the RPO will be examined for a B&O reel number. If the RPO does not have a B&O reel number, the insurance folder will be requested. If there is no record in the folder of an acceptable designation of beneficiary and optional settlement, a VA Form 29-336 will be sent to the insured with a request that the designation be restated.

u. When a modified life policy with disability waiver in force is automatically reduced and a replacement policy is issued, a VA Form 29-336 will be enclosed with the new policy. The insured will be requested to designate a beneficiary and optional settlement for the new policy. If the reply indicates that the current designation on the modified life policy applies to the replacement insurance, the statement will be filed in his or her insurance folder.

v. When a beneficiary and option designation is submitted by a fiduciary or the intent of the insured is not clear, it will be forwarded to the Chief of the Insurance Death Claims Section by the Policy Service Section supervisor (or designee) after it has been assigned a reel number and microfilmed. A VA Form 3230, Reference Slip, will be prepared for review by the chief of the Death Claims Section.

*(NOTE: Enter tile policy and reel numbers on the VA Form 3230.)*

(1) If after review by the Chief of the Death Claims Section, the designation is found to be ACCEPTABLE, it will be noted ACCEPTABLE, signed and dated. The original copy will be forwarded for filing in the insurance folder and the duplicate released to the insured.

(2) If the designation is not acceptable, a letter will be released stating the reason why the designation is not acceptable or why clarification is required. A new VA Form 29-336 will be furnished. The original copy of the designation will be forwarded for filing in the insurance folder and the duplicate copy destroyed. No followup action will be taken.

#### **15.05 DESIGNATIONS NOT TO BE ENTERED**

a. when a form or letter containing a beneficiary designation is not acceptable, the insured will be advised that it is not complete or clear, and will be told how to correct the matter. Stamps, notations or other entries as to nonacceptance will not be placed on the document, except as provided for in paragraph 15.06a. when applicable, VA Form 29-336 will be partially prepared showing the name, address, file and policy numbers. No attempt will be made to inform the insured how the insurance proceeds will be paid in the absence of further action by the insured. If the insured refuses to take corrective action, insisting that the designation be recorded as presented, it will be *ENTERED*. The insured will be informed that it has been recorded as submitted, but because of the objectionable feature(s) which were brought to his or her attention, that delay and even possible litigation may result at the time of claim.

b. When a designation of change of beneficiary is submitted which is suggestive of an assignment, a letter will be sent to the insured advising that the proceeds of a Government life insurance contract are not assignable by the insured. The insured will be further advised that since the designation or change is questionable, he or she should furnish a statement informing the VA of the purpose and circumstances under which the designation was made. The case will be diaried for 15 days.

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changes 15**

**February 13, 1979**

*NOTE: An insured's motive for a beneficiary designation change is not questionable as an improper assignment in the absence of language indicating an attempt to restrict the right to execute any later changes in beneficiary designation an insured might choose to make. Individual cases should be reviewed by the Chief Death Claims Section (295) to determine if a questionable change constitutes an attempt to prevent a later change or merely states insured's motive for the change.*

(1) If the insured fails to reply to the VA letter, the request will not **be** entered or microfilmed. It will remain in the folder for consideration if and when a claim is filed.

(2) If a reply is received and the information is inadequate to make a determination as to whether the designation is an assignment, and/or the insured insists that the designation be recorded, the request will be *ENTERED* and the insured informed that the request as submitted, has been made a matter of record. He or she will be further informed that this action does not imply acceptance of the designation and that its validity may be subject to further proof when the insurance becomes a claim.

(3) When the insured states that the designation is an assignment, or when the information furnished discloses that it is an assignment, the request will not be *ENTERED*. A letter will be sent telling the insured that since the proceeds of the policy are not to be assigned, the request for a change of beneficiary is not acceptable. A VA Form 29-336 will be released with the letter.

c. If an estate is shown as beneficiary, payment must be made under Option I. If any other option is selected, the designation will not be entered. The insured will be advised that an installment option is not available when an estate is named. VA Form 29-336 will be enclosed.

d. Payment of insurance under Option 3 or 4 is prohibited in the case of beneficiaries who are not persons or who are acting as trustees. When this condition is present, the designation will not be entered. The insured will be requested to select another option. VA Form 29-336 will be enclosed.

e. Options 3 and 4 may not be selected if a trustee is named principal beneficiary. If this condition exists, a VA Form 29-336 will be sent to the insured requesting he or she to select Option 1 or 2. However, a contingent beneficiary may, as trustee, receive the remaining installments under Options 3 and 4 if the principal beneficiary survives the insured but dies before receiving all guaranteed installments.

f. A designation or change of beneficiary and/or option submitted by a person having a general power of attorney is not acceptable. The designation will not be entered unless it is accompanied by a properly executed power of attorney specifically designating or changing the beneficiary. If the request is not acceptable, the person submitting the request will be advised that the insured must complete a VA Form 29-336 or grant another power of attorney specifically authorizing the desired designation.

g. If restrictions are imposed, such as marriage, education, employment, residence, etc., the designation will not be entered. The insured will be advised that the VA may not accept any designations of beneficiary which include such restrictions on the eligibility of the beneficiary to receive payment. He or she may provide in a trust agreement that a beneficiary receive all or a share of the insurance proceeds if the beneficiary meets certain restrictions; however, the VA will not be responsible for the execution of the terms of the agreement and a statement to that effect must be included in such a designation. A VA Form 29-336 will be enclosed with the letter to the insured.

#### **15.06 SUPPLEMENTAL PROCEDURES INVOLVING INCOMPETENTS**

a. A request for designation or change of beneficiary and optional settlement for an insured who is shown to be mentally incompetent will be entered and acknowledged. A duplicate or photocopy of the request will not be released. The notation, *MENTALLY INCOMPETENT*, will be entered in the left margin of the form or request. In addition, an attempt will be made to obtain evidence of the insured's testamentary capacity to make or change a beneficiary and/or optional settlement.

(1) **When the insured is** a patient at a VA hospital and a statement as to his or her testamentary capacity **does not** accompany the change of beneficiary, a letter will be sent to the hospital requesting a statement from the **ward** physician attesting to the insured's testamentary capacity at the time the change was signed.

(2) If the insured **is** under guardianship and **is not** in a VA hospital, the fiduciary will be contacted **and** apprised of the fact that the insured is attempting to change **his or** her beneficiary and/or optional settlement. The **guardian** will be further advised that a statement from the insured's physician, attesting to the testamentary capacity of the veteran, would be helpful in determining the **correct** beneficiary at the time the insurance becomes **a** claim.

(3) **When** in the development of these cases, a physician positively states that the insured did **or did not** have testamentary capacity at the time the designation or change of beneficiary was made, the evidence may be filed without its referral to **the** underwriting medical consultant. However, if examination of the information received in conjunction with the evidence of **record does not** satisfactorily resolve the **issue**, the folder will be referred to the medical consultant for an opinion. The medical consultant will consider all of **the** available evidence. He or she **will then express** an opinion as to whether or not the insured understands the nature of **his** or her act and will complete VA Form 29482, Request for Medical Opinion, accordingly. If the medical consultant cannot determine the insured's mental capacity, or when no evidence is submitted, **a** determination will be made when **the insured is rated** competent, or at the time of a claim.

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Change 16

(4) If the records disclose that the **insured requested a change of beneficiary and/or** optional settlement while mentally incompetent and was thereafter rated competent **and has not** submitted another request since restoration to competency, a VA Form 29-336 will be sent to [the **insured**] **for completion**.

b. If the insured does not have **a** fiduciary and the rating of incompetency **has not** been removed and evidence is received which indicates that he or she may be competent; **i.e., is working or there has been a** material improvement in the mental condition, the folder **will be sent** to the Insurance Claims Section for **a** determination **as to** whether the insured can be held as competent.

c. Determination involving the testamentary capacity **and/or competency of** the insured will not be made in those cases in which the insured periodically submits **a B&O change. In such cases,** the change of beneficiary will only be entered and acknowledged.

d. Generally, a guardian of an insured who has been adjudged incompetent **may not** make an original designation or a change of beneficiary or optional settlement for the insured. However, there have been decisions to the contrary depending upon the circumstances in the case, the State statutes involved, **and** who was designated beneficiary by the guardian with the approval of the State court. Therefore, the VA will not pass upon **validity of such a** beneficiary designation at the time it is made.

(1) When **a** guardian submits a designation **or change of beneficiary for an** incompetent insured, the request will be assigned a B&O reel number and microfilmed **for security purposes. It will not be entered** and photocopies or duplicates will not be sent to the guardian. Instead, the guardian will **be advised** that the **request has** been made a matter of record, and that the validity of the request will be determined when **a claim for flu insurance is filed. This** procedure will be followed even though the request for change is accompanied by **a court order directing** such change.

(2) When **a** guardian is joined by **the** insured in the completion **of the request and** submits evidence as to the testamentary capacity of the insured, the procedure in paragraph I5.03a(3) will be followed. **If no** evidence of testamentary capacity is furnished, the guardian will be advised to have the insured complete **a** request **for** change of beneficiary and/or optional settlement when the insured has a lucid period, in which

**case, a statement by a physician** attesting to the mental capacity of the insured should accompany ilk change.

#### 15.07 MISCELLANEOUS INFORMATION

At any time a Policy Service technician is corresponding with an **insured** whose records contain a beneficiary reel number consisting of all zeros, the following paragraph will be included in the letter:

It is important to you that we have up-to-date beneficiary and option designations for your Government life insurance. Please complete and return the enclosed VA Form(s) 29.336.

This will not be done if the insured will qualify (within 31 **days**) for selection under the mailing procedures [J. If the folder is available and reveals that such action was taken within the past 2 **years**, no further notice will be sent.

b. When complying with subparagraph **a above**, or **answering** requests for B&O forms, a separate form should be mailed for each policy in force. Identifying file **and** policy **numbers** (and prefixes) should be entered on the forms before mailing. A request for B&O forms will remain permanently filed in the insurance folder whenever a request contains something of record value. The following are examples of items of record value that accompany requests for B&O forms:

(1) I have married and wish to name my **wife as** beneficiary.

(2) My wife and I are separated (or divorced) and I **wish to** name **my** parent(s) (or children) as beneficiary(ies).

(3) My beneficiary (or person by name or class) has died and I want to name **a** new beneficiary.

c. When a B&O designation **fails** to draw **any insurance** number in either the local index or in BIRLS (Beneficiary

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Identification and Records Locator Subsystem), **correspondence** with **the** originator will **be** initiated by the Administrative Division **for** the purpose of obtaining additional information to facilitate identification. If it develops there **is** no insurance in **force**, the designation will be returned to ilk **sender**.

d. Some insureds use various terms in selecting Option I for **the** payment of insurance proceeds. Among those that are acceptable **for** this purpose **are** lump sum; lump sum-one payment; [ ] cash payment in lump **sum** or single sum; or single **sum** by itself. Unacceptable terms **for** selecting Option I **are** **cash (by** itself); all; full amount; in full; full; full **sum**; full payment; total; or 100 percent. When a designation is received containing one of the unacceptable terms, an [FL 29.727] will be released to the insured requesting clarification.

e. The Policy Service Section will process beneficiary designations requested on matured endowment contracts payable in installments, even though flu designation **may** be received after the matured contract has been transferred to the insurance awards system. The designation will be processed and microfilmed the same as any other designation. When the processing has been completed, the carbon copy or photocopy **of** the designation, stamped with the microfilm reel number and year, will be forwarded to the Finance [activity]. They will prepare VA Form [4] -8223, Award Policy Input Card #2-ADP, to update the beneficiary designation reel number on the Insurance **Awards** Master Record. The copy of the beneficiary designation will then be mailed to ilk insured.

f. When a communication, signed **by** the insured, designates an attorney, trust **officer or** insurance agent as the representative **for** insurance purposes, **or** otherwise requests that a third party be furnished the beneficiary designation, a duplicate or photocopy of the designation **will be mailed** to such representative. It will not be necessary that a normal power of attorney or VA **Form 294337**, Authorization for Release of Information From Insurance Records, be of record.

#### **15.08 DISAPPROVED APPLICATIONS CONTAINING B&O DESIGNATION**

When a **B&O** designation is part of an application **for** contract change and the application is disapproved, the designation, if otherwise acceptable, will be **made a** matter of record. A VA Form 29-336 will be released with a dictated letter, requesting the insured to complete, sign and return the **form to** confirm the designation as it **appears** on the disapproved application or, **if** he or **she** so **desires**, to designate a new beneficiary. A copy of the letter to the insured will be made a matter of record. The designation on the disapproved application will receive regular processing, including assignment of a reel number and microfilming.

#### **15.09 APPLICATION FOR CASH SURRENDER VALUE AND MATURING ENDOWMENT**

When an insured **submits** VA Form 29-1546, Application **for** Cash Surrender Value, VA Form 29-5767, Matured Endowment Notification, or VA Form 29-5772, Loan and Cash Surrender Values, and selects an installment option, the beneficiary information should be completed.

a. If the information is missing or incomplete, the insured will be informed that a complete designation is necessary when an installment option is selected from the proceeds of the insurance. The procedure outlined in paragraph 15.02f(3) will be followed.

b. When the designation **is** complete, a security reel number will **be** assigned. The application will also be microfilmed and a copy of the application will be sent **to** the **insured for** his or her **records**. VA Form 29-5892a, Policy

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Input, or VA Form 29-8530, Life/Miscellaneous, will be prepared to insert the reel number into the master record **before** input is prepared to convert the record to an Insurance Award master record.

*NOTE: If one or more beneficiaries are named and an option is selected, the designation will be considered complete.*

#### **15.10 OPTIONAL SETTLEMENT CLAUSES DEFINITIONS**

a. PER STIRPES-By or according to stock or root; by right of representation. For example: When descendants take by representation of their parent, they are said to take PER STIRPES; that is, children take among them the share which their parent would have taken if living. (This clause is acceptable.)

b. **BY REPRESENTATION**-A fiction of the law, the effect of which is to put the representative in the place, degree, or right of the person represented. For example: The heir represents his ancestor. Used the same as **PER STIRPES**. (This clause is acceptable.)

c. **PER CAPITA**-When descendants take as individuals, and not by right of representation (per stirpes), they are said to take *PER CAPITA*. For example: If a legacy be given to the issue of the insured and at the time of his death he had two children and two grandchildren, his estate shall be divided into four parts, and the children and the grandchildren shall each have one of the parts. (This clause is acceptable.)

d. **LAWFUL ISSUE**-This term is used to give the same effect as heirs. It **refers** to `lawful children of the insured. (This clause is acceptable.)

e. **FULL RIGHT OF WITHDRAWAL**-Any beneficiary while entitled to receive income payments may make withdrawals from the share of the fund held for the benefit of such beneficiary. When this clause is used on a designation, the insured will be advised that it is not acceptable and if he desires to allow the beneficiary to withdraw all or part of the proceeds, he should select option 1. The beneficiary then can receive the entire proceeds in cash or elect to receive part in installments.

f. **SPENDTHRIFT CLAUSE**-Generally, this clause is defined in commercial policies as follows: No beneficiary shall have the right to commute, anticipate, encumber, alienate, withdraw or assign his share of the net proceeds of a policy, or any interest or installment to become due thereon, or any part thereof, and to the extent permitted by law, no payments of interest or of principal shall be subject to such beneficiary's debts, contracts, or engagements nor to any judicial processes to levy upon or attach the same **for** payment thereof. When this clause **is requested**, the insured will be advised that payment of the proceeds of Government life insurance to a beneficiary is exempt **from** claims of creditors and is not liable to attachment, levy, or seizure by or under any legal or equitable process whatever, either before or after receipt by the beneficiary. Since this provision is specifically provided **for by** law, it is not necessary to include a spendthrift clause in the settlement instructions.

## 15.11 MICROFILMING

a. All incoming documents which contain an initial designation, cancellation or change of a beneficiary designation and/or selection of optional settlement will be microfilmed for security purposes with the exceptions heretofore provided. The documents, regardless of whether the beneficiary designation pertains to a principal or contingent beneficiary, or both, will be microfilmed.

b. The following documents, even though they are incomplete or require clarification, will be included:

(1) VA Form 29-336.

(2) Any letter or other writing signed by the insured containing a designation or change of beneficiary and/or selection of optional settlement.

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(3) **All** approved applications on which the beneficiary and optional settlement spaces **are** completed. In **cases** of medical applications, reproduce only part I of the application.

c. Assemble documents accepted and assigned the current day's beneficiary designation reference number daily and process as follows:

(1) Arrange documents by insurance file number in terminal digit **order**.

(2) Check **for** unnumbered documents and numbers other than the current day's number. Arrange documents having a beneficiary designation reference number in terminal digit **order of insurance file number** and microfilm as supplemental work groups to the original microfilm reels.

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[CHAPTER 16. FILE MAINTENANCE

SUBCHAPTER 1. RECONCILIATION

16.01 RECONCILIATION OF ALLOTMENT/DEDUCTION CONTROL RECORDS WITH THE SERVICE

DEPARTMENTS AND THE HINES DATA PROCESSING CENTER

a. The allotment/deduction control records are reconciled annually with the insurance allotment/deduction records of the Army, Army Retired, Air Force, Navy, Marines, Coast Guard, and the Hines DPC(data processing center). A match is made on social security or service serial number when reconciling with the service departments, and on claim number when reconciling with the Hines DPC. A comparison is made on name (first three digits of surname), effective dates of allotment or deduction, and monetary amounts. On deduction cases, no comparison is made on name.

b. When discrepancies occur, reject cards are produced for both the allotment/deduction control records and the service department and Hines DPC records. An error listing is printed of all discrepancies for use by the Philadelphia VA center; the service departments, and Hines DPC. Error listing and reject cards for allotment accounts are used by the Philadelphia VA center only. DFB account discrepancies are resolved by the Hines DPC.

16.02 RECONCILIATION OF THE ALLOTMENT/DEDUCTION CONTROL RECORDS WITH THE INSURANCE MASTER RECORDS

a. The reconciliation of the allotment/deduction control records with the insurance master records is accomplished periodically in run 730.

b. An error listing is printed when there are discrepancies between the allotment/deduction control file and the master record file. This listing will show the following types of discrepancies:

(1) Control file records which do not match the insurance master records on file number or file number prefix (code OS-CTRL).

(2) Control records and insurance master records which do not match on money (code AMT), total premiums (code PREM), and effective date of allotment/deduction (code DAT).

c. In addition to the listing of discrepancies, the following are produced:

(1) RPO's (Record printouts) requests when there are non matches between the control records and insurance master records on file number, money, total premium, or effective date of allotment/deduction.

(2) Pre punched input cards for run 140 to correct a non match on claim, service or social security number.

(3) Pre punched input cards for runs 160/170 to correct a non match on name code.

(4) Punched cards if the control file records do not have insurance file numbers (code OS-CTRL), or the insurance master records indicate how paid 3 or 6, but do not match control records (code OS-MAST). These punched cards will be merged and sorted by claim, service or social security number order, and by branch of service or regional office. A listing will also be prepared.

d. The sequence of the edit in run 730 is as follows:

- |     |                         |     |
|-----|-------------------------|-----|
| (1) | File Number Error Type  | OS  |
| (2) | Money Fields Error Type | AMT |

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- |     |                                                            |      |
|-----|------------------------------------------------------------|------|
| (3) | Total Premium Error Type                                   | PREM |
| (4) | Claim, Service Number or Social Security Number Error Type | COS  |
| (5) | Effective Date of Deduction Error Type                     | DAT  |
| (6) | Name Code Error Type                                       | NAM  |

/ Does not apply to DFB accounts.

e. When a non match or discrepancy is located during the run, it is listed. Edits for other non match or discrepancy items on the same account are not made. When correcting a specific item, check the reconciliation discrepancy listing for other non matches or discrepancies according to the sequence of edit. For example: If the listing shows a non match on money (error type AMT), the line listing will be checked for a non match on total premium, claim, social security number or service number, effective date of deduction, and name code.

f. Processing of the reconciliation discrepancy listing. When the listing is received it will be referred by the Policy Service Unit Supervisor to the Miscellaneous Accounts and Service Unit. The Miscellaneous Accounts and Service Unit will check the pending file of RPO's (cash surrenders, matured endowments and death cases) and the pending allotment/deduction files for items matching the code OS-CTRL entries on the listing. The listing will be noted accordingly and returned. The Policy Service Sections will take action to correct non match or discrepancy items as follows:

(1) Non match on File Number (Error Type OS)

(a) Run 730 will produce RPO requests for these discrepancies. The legend 7304 will appear in the upper right corner of the RPO for identification and association purposes. One-line items from the *control tape* with a file number (OS-CTRL) which does not match a master record will be processed as follows:

- i. Request insurance folder and an RPO.
2. Examine the records to find out why deductions are being currently received and why there is a non match with a master record.
3. When error is located, take corrective action. This may consist of refunds, full insert of account to tape, or request to a service department or a regional office for adjustments.

*NOTE.- No action is required if Miscellaneous Accounts and Service unit has a delete RPO control (XC, cash surrender or ME (matured endowment)).*

(b) Although the file number agrees some two-line items do not match because the file prefix on the control tape differs from the file prefix on the master record. Assume the master record is correct and prepare a VA Form 29-5923, Allotment/DFB Input Card to Run 160, to change the control tape.

(2) Non match on Money Fields (Error Type AMT). Run 730 will produce RPO requests on a non match in money fields. The legend 730~1 will appear in the upper right corner of the RPO for identification and association purposes. The insurance folder, RPO, and reconciliation listing will be examined to determine the discrepancy.

(a) If the listing and/or RPO indicates a change of distribution is necessary on the control tape for which distribution has previously been made, prepare VA Form 29-5923 to correct the distribution.

(b) If the listing and/or RPO indicates distribution on the master record is incorrect, prepare input to correct master record.

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(c) If the listing and/or RPO indicates that clerical distribution and/or adjustment of distribution of pending allotment deductions is necessary, prepare VA Form 29-5923 to correct as prescribed in MP-6, part II, supplement No. 2.1, section 124.00.

(3) Non match Total Premium (Error Type PREM). Run 730 will produce RPO requests on this type of discrepancy. The legend 730-2 will appear in the upper right corner of the RPO for identification and association purposes. RPO output for this type discrepancy will, for the most part, be generated for those accounts that have been reviewed, converted, reduced or changed and the current deduction has not been increased or decreased to the adjusted premium rate. Process as follows:

(a) Obtain the insurance folder and determine the type of action that resulted in the change in the premium rate. If action was previously taken to effect the allotment adjustment and the diary date for the followup action has not been reached, no further action is necessary.

(b) If no action was taken to effect the deduction adjustment, or the diary date for the action previously taken has expired, process the case as follows:

1. If the account is being paid by DFB deductions, prepare a VA Form 29-5926, Request for DFB Action, to effect the deduction adjustment. Diary the case for the 20th day of the month following the current accounting month.

2. If the account is being paid by an allotment from inservice or retired pay, prepare a VA Form 29-1588, Statement of Allotment Differences or Request for Allotment Action, to effect the allotment adjustment. Diary the case for 120 days in advance of the current date.

(4) Non match on claim or Service Number (Error Type COS). Run 730 is programmed to produce input cards for run 140 to correct the claim, service or social security number on the master record. However, if a non match on claim, service or social security number is found on the reconciliation listing, assume that the number shown on the line listing from the control tape is correct. Prepare VA Form 29-8530, Life/Miscellaneous, to correct the number in the master record.

(5) Non match on Effective Date of Deduction (Error Type DAT). Run 730 will produce RPO requests on this type of discrepancy. The legend 730-3 will appear in the upper right corner for identification and association purposes. Process as follows:

- (a) Obtain the insurance folder, associate it with the RPO, and determine the correct effective date.
- (b) If the control tape is incorrect, prepare VA Form 29-5923 to change the control tape record.

1. For inservice accounts, explain on a VA Form 3230, Reference Slip, the need for correction and information to be changed, for example:

Deduction Effective (Month and Year)

Accounting Period (Month and Year)

2. For DFB accounts, explain on a VA Form 3230, the need for correction and information to be changed, for example:

Deduction Effective (Month and Year)  
Initial Deduction (\$ )

3. The VA Forms 3230 will be forwarded to the Accounting Section, Finance and Data Processing Division.

(c) If the control tape is correct, prepare input to change or insert the effective date of DFB or allotment on the master records. Take necessary adjustment action on the next month due, overage, shortage, etc.

*NOTE: Special attention should be given to cases where the initial deduction pays more than 1 month •5 premium.*

(6) Non match on Name Code (Error Type NAM). Run 730 is programmed to produce input cards for run 160/170 to correct or insert the name code on the deduction control tape. However, if a non match of the name **code** is found on the reconciliation listing, prepare a VA Form 29-5923 to correct or insert the correct name code on the deduction control tape. If the name code is not similar or is questionable, examine the insurance folder to ascertain if the deduction has been associated with the wrong account.

### 16.03 RECONCILIATION OF OFF-TAPE INDEBTEDNESS

a. Off-tape indebtedness are liens on inactive accounts which have been transferred to the Finance and Data Processing Division for maintenance and liens maintained by the Insurance activity in the Other Indebtedness file.

**These** indebtednesses are reconciled once each year. The Other Indebtedness file consists of:

(1) Premium and insurance overpayment liens on active term or permanent plans which are not maintained on the insurance master record due to lack of space; or liens on inactive policies with participating policies on tape.

(2) USGLI (U.S. Government Life Insurance) statutory liens.

(3) Finance indebtedness.

(4) Service department indebtedness.

b. Finance indebtedness are maintained on VA Form 29A878, Deduction Authorization Card-Finance. Service department indebtednesses are maintained on blank punched cards. USGLI statutory liens, premium liens, and insurance overpayment liens are maintained on VA Form 29-1696, Lien Record Card. RPO's on each indebtedness in the Other Indebtedness file will be requested for an annual reconciliation.

c. In the reconciliation of all off-tape indebtednesses, the RPO's will be obtained by modifying the 7080, run 700/8 I 0, to generate an RPO request if the Other Indebtedness indicator is in the master record. The reason code will be INDBT. **The** Finance and Data Processing Division will furnish duplicate punched cards for insurance liens maintained by that facility.

d. When the RPO's are received, they will be matched with the indebtednesses in the Other Indebtedness file. Where there is an indebtedness and no matching RPO, a current RPO will be requested. Processing will be as in the annual reconciliation which is outlined in paragraph 12.02b of this manual.

e. **The** remaining RPO's will be compared with the lien punched cards furnished by the Finance and Data Processing Division. Where an RPO matches a lien punched card, no action is required if the insurance account is inactive and there is no active participating policy on tape for the individual. If the account has been reinstated, prepare a memorandum to the Finance and Data Processing Division to delete the indebtedness from their files. Prepare an appropriate input to reinsert the lien or the Other Indebtedness indicator in the master record.

f. If a lien punched card exists for which there is no RPO, request the insurance folder and examine it to determine if the master record has been deleted from tape as an inactive account.

(1) If there is a delete RPO in the insurance folder and no indication that the lien has been paid, no action is required. If there is indication that the lien has been paid, prepare a memorandum to the Finance and Data Processing Division to delete the indebtedness from their records.

o.

(2) If a delete RPO is not in the insurance folder and there is no indication that the lien has been paid, request a current RPO. If the lien has not been transferred to the master record, prepare input documents to insert the Other Indebtedness indicator in the master record.

g. If there are any remaining RPO's which indicate Other Indebtedness and there is no record of an indebtedness in the Other Indebtedness files, or the lien file maintained by the Finance [activity] , and no record of a tax levy, input documents will be prepared to delete the Other Indebtedness indicator from the master record.

#### 16.04 RECONCILIATION OF DISABILITY WAIVER ACCOUNTS-(HOW PAID 5) WITH CERTAIN INSURANCE AWARD MASTER RECORDS

a. [Every other year a] reconciliation between the insurance master records (How Paid 5) and the insurance award master records will be conducted as follows:

| Type of Award | Description                                                                                                                                                                                 |
|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3             | Matured endowment with a TDIP (total disability income provision) optional segment                                                                                                          |
| 9             | USGLI policy with a TDIP or NSLI policy with a TDIP                                                                                                                                         |
| 6             | Benefits payable under the T&P (total and permanent) disability provision of a USGLI policy, or benefits payable under the TDIP when the insured is also totally and permanently disabled - |

b. The reconciliation run is scheduled [ ] in October (of each even-numbered year) - It is a tape-to-tape comparison in the 7080, run 930. The inputs are RPO image tapes from runs 810 (insurance master record) and 270 (insurance award master record).

c. The tape fields listed below are edited, and RPO's are generated for clerical analysis if certain conditions are not met. If, upon examination of the records, an overpayment in insurance benefits is detected, a lien will be placed against the insurance proceeds and the insured will be requested to pay the indebtedness. If an underpayment is detected, necessary action will be taken to pay any amount due and correct future payments.

(l) File number, file prefix, policy number, and policy prefix. When there is no match between an insurance master record and an insurance award record, RPO's are generated for each master record, or award record reason code INOMA. Clerical examination is required to determine why there is no matching record.

(a) If there is no match because an endowment plan has matured and the insurance master record has been deleted from tape, a review of the insurance folder is not required as these cases are periodically reviewed by Insurance Claims Section personnel. **The** paper diary file in the Insurance Claims Section will be checked to ascertain that a diary for the case is in file.

(b) If there is no match because of the death of the insured or the transfer of the insurance records, the Finance [activity] will be advised.

(c) When there is no match because of a difference in file number, file prefix, policy number, or policy prefix, the correct number or prefix will be determined. If the discrepant condition is in the insurance master record, input documents will be prepared to delete and reinsert or correct the insurance master record. If the discrepant condition is in the insurance award master record, the material will be referred to the Finance [activity] -

(d) If there is no match because of failure to process a stop payment notice, and only an insurance award master record is in the reconciliation, the records will be examined for the possibility of an overpayment.

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(2) Competency. If the insurance master record and the insurance award master record do not indicate the same condition (competent or incompetent), RPO's are generated for each record, reason code 2DINC. A review of the insurance folder is required to determine if the insured is competent or incompetent.

(a) If the insurance master record requires correction, input documents will be prepared to insert or delete

the incompetency indicator from that record.

(b) If the insurance award master record requires correction, the material will be sent to the Finance [activity].

(3) Guardian. If the insurance master record and the insurance award master record do not indicate the same condition (guardian appointed or guardian not appointed), RPO's are generated for each record, reason code 3DGUA. A review of the insurance folder is required to determine if the insured has a guardian and if the name and address of the guardian are the same in both the insurance master record and the insurance award master record.

(a) If the insurance master record requires correction, prepare input documents to make the necessary correction.

(b) If the insurance award master record requires correction, the material will be sent to the Finance [activity].

(4) Appropriation Reimbursable. When disability insurance benefits are payable under a TDIP attached to a V policy or a TDIP attached to a K policy, the NSLI or USGLI fund is reimbursed by transfers of money from the Military and Naval Appropriation if total disability is traceable to the extra hazards of military or naval service. The NSLI fund is also reimbursed for the cost of waiver of premium. The USGLI fund is not reimbursed for the cost of waiver of premiums unless the policy was reinstated or replaced under 38 U.S.C. 781. When an insurance award is entered on the pending tape, a reimbursable code, as indicated below, is inserted in the master record.

| Code | Description                                                                                      |
|------|--------------------------------------------------------------------------------------------------|
| 0    | Indicates a decision has not been [made] by the Extra Hazards Committee.                         |
| 1    | Indicates that death or disability is not due to the extra hazards of military or naval service. |
| 2    | Indicates that death or disability is due to the extra hazards of military or naval service.     |
| 4    | Indicates that a decision as to extra hazards is not applicable (H, [RH], RS/W, J, JR, JS).      |

The edit in the reconciliation run is made on the compatibility of the reimbursable codes. If the insurance master record indicates the fund is reimbursable, the insurance award master record is edited for a code 2. If the insurance master record does not indicate that the insurance fund is reimbursable, the insurance award master record is edited for a code 0, 1 or 4. If there are discrepancies, RPO's are generated for each master record, reason code 4DARE. No provision has been made to suppress RPO's on K policies even though the discrepancy in the reimbursable status is a correct condition. A review of the insurance folder is

required to determine if the reimbursement information is correct in the insurance master records and the insurance award master record.

(a) If the insurance master record requires correction, prepare input documents to make the necessary correction, and prepare any accounting documents that may be required.

(b) If the insurance award master record requires correction, the material will be sent to the Finance [activity].

(5) Variance in Funds and Controls (NSLI). The TDIP fund code on the \$ 10 provision in the insurance master record should be 1(V), 2 (RS), 6 (W) or 7 (J) and match the policy fund code. On the \$5 provision,

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the **TDIP** fund code does not have to match the policy fund code A V policy may have a **TDIP** fund code of 1 or 4 and an H policy may have a TDIP fund code of 4 or 1. The insurance awards master record will show an accounting control of 1 indicating that the TDIP and policy fund codes match or an 8 indicating that they do not match. In the reconciliation run, the accounting control is edited for a 1 if the TDIP and policy fund match or an 8 if they do not match. If a match is not made, RPO's are generated for each master record, reason code 5DACO. A review of the insurance folder is required to determine if the fund code is correct.

(a) If an error exists in the insurance master record, input documents will be prepared to correct the error.

(b) If an error exists in the insurance award master record, the material will be sent to the Finance [activity] -

(6) Insurance Benefits Payable. If the insurance master record shows a \$5 TDIP benefit, the insurance award master record should show a 4 as the type of TDIP. On the \$10 TDIP benefits, the insurance award master record should show a code 5 or 8. If these conditions do not exist, RPO's are generated for each record, reason code 6DIBP.

(a) If an error exists in the insurance master record, input documents will be prepared to correct the error.

(b) If an error exists in the insurance award master record, the material will be sent to the Finance [activity].

(7) Amount. The amount of insurance in the insurance master record should equal the amount of TDIP insurance in the insurance award master record. An exception to this is when a USGLI policy has been rerated and the original amount of total disability was restored. If the amounts are different, RPO's are generated for each record, reason code 7DAMT.

(a) If an error exists in the insurance master record, input documents will be prepared to correct the error.

(b) If an error exists in the insurance award master record, the material will be sent to the Finance [activity].

(8) Pending Award. A pending award master record is automatically established when the insurance master record has TDIP segment and the how paid code is changed to 5, disability waiver. When there is a pending award master record, RPO's are generated on **that** record and the insurance master record, reason code 8DPN. Other items are not edited. Examine the records to determine if any action should be taken.

(9) Office of Jurisdiction. If the office of jurisdiction on the insurance master record differs from the office of jurisdiction on the insurance awards, RPO's are generated, reason code 9DKOF. Make the necessary corrections.

#### 16.05 RECONCILIATION OF TOTAL AND PERMANENT DISABILITY AWARDS

a. When disability benefits payable are based on T&P disability, the 7080, run 270, will generate punched card requests for VA Form [4]-456, Insurance Award Record Printout, for a reconciliation of type 6 awards which is made every [ ] year **in** September and will include all cases in which the date of first payment is 13 months prior to September of the current year]. Type 6 awards are either benefits payable under the T&P disability provision of a USGLI policy or benefits payable under the total disability provision when the insured is also totally and permanently disabled. However, type 6 awards with the rider are included in the How Paid 5 reconciliation.

b. Record printouts will be obtained from the punched card requests. Insurance folders will be obtained and examined to determine if the records will show the policyholder totally disabled. The folder will also be examined to determine if the appropriate entries are on the insurance award record printout and if the information is correct. The following fields of the life segment will be examined:

(1) File and Policy Number.

(2) Name and Address. The name of the payee will be reviewed for correctness.

(a) If the payee is the guardian of an incompetent insured, entries should be in the Payee Incompetent and Fiduciary Appointed block of the life segment.

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(b) If the payee is an attorney who is receiving a share of the award as a result of a court decision, an entry should be in the Payee Is Attorney block. In these cases, there should also be an insurance awards master record for the insured with an entry in the Part Award to Attorney block in the award segment. If the attorney dies while the insured is receiving T&P benefits, the attorney's share [of] the award payments is payable to the heirs.

(3) Claim Number. The claim number should be entered when available.

c. The following fields in the award segment will be reviewed clerically:

(1) Type of Award. The type of award should be 6.

(2) Accounting Control. The accounting control should be 1.

(3) Reimbursement Control. The reimbursement code on K insurance should be 1 indicating that disability is not due to the extra hazards of military or naval service, or 2 indicating that disability is due to the extra hazard, or 3 indicating a decision has not been [made] - The reimbursement code on T insurance should be 4.

(4) Insurance Amount (Share). This should be the amount of insurance before deduction of indebtedness from the face amount.

(5) Net Amount Settled (Share). This should be the amount of insurance less indebtedness deducted from the face amount of insurance. When an indebtedness is deducted, the monthly award amount will be based upon the reduced amount of insurance until the number of months certain has been paid and the entry AD 967 will be in the unnamed block in the TDIP segment. If the insured is still permanently and totally disabled at the time the guaranteed number of payments has been paid, the monthly award amount is based upon the amount of insurance prior to the deduction of the indebtedness.

(6) Monthly Award Amount. This should be \$5.75 per \$1,000 insurance.

(7) Age at Claim. This should be the age of the insured as of the effective date of the award.

(8) Number Payment Certain. This should be 240 unless there is an entry in Rerated T&P block.

(9) Original Award Effective Date. This should be the date the first installment was due the insured.

(10) Current Award Effective Date. This should be the date the first installment was due the payee.

(11) (Deleted.)

(12) Date of Last Payment. Each month when payments are made, the month and year are updated to show the new date for which payment was made. On abeyance cases when no installments were paid, the date should be 1 month prior to the effective date of the award.

## SUBCHAPTER 2. RECONSTRUCTION OF RECORDS

### 16.06 GENERAL

a. Records will be reconstructed only when insurance protection is being provided, including extended insurance, or when an application for reinstatement has been received.

b. After the Policy Service Section has made a search for the insurance folder within the section and it cannot be found, [ ] a memorandum [will be prepared] for the signature of the Chief, Insurance operations Division, addressed to the Chief, [Insurance Files Section] , requesting a thorough search be made for the insurance folder.

[c. After making a thorough search, including indexing through BIRLS (Beneficiary Identification and Records Locator Subsystem), contacting the appropriate Federal Archives and Records Center, and searching the VA center without finding the insurance folder, a memorandum signed by the Chief, Insurance Files Section, will be sent to ~~

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the Chief, Insurance Operations Division, furnishing the results of the search and by whom it was conducted. The memorandum will also state the circumstances involved in the loss of the folder; i.e., to whom the folder was last charged, the date of that charge, and whether there is file material in a charge-out

jacket which would indicate the last action taken. Upon receipt of the memorandum, the Chief, Insurance Operations Division, will review the facts.

(1) If further search by the section last having the folder is warranted, the memorandum will be referred to that section for another search. The memorandum will be endorsed by that Chief, reflecting what searching was accomplished and the results.

(2) If the results of all searches are negative, the Chief or Assistant Chief, Insurance Operations Division, will endorse the memorandum to the Chief, Policy Service Section, authorizing approval to reconstruct the folder, or the memorandum will be returned to the Chief, Insurance Files Section, for further search.]

16.07 [(Deleted.)]

#### 16.08 RECONSTRUCTION OF FOLDERS

a. When the authority to reconstruct the insurance folder is received, the Policy Service Section will prepare the jacket for the reconstructed record as follows:

- (1) Enter the file number in the upper left corner.
- (2) Enter the insured's name, last name, first name and middle initial after the file number.
- (3) Enter RECONSTRUCTED RECORD on the upper right side of the short flap of the folder.

b. If the account is on the master record, the RPO will be examined for a beneficiary reel number. If it contains a reel number, a photocopy of the designation will be obtained from the security film and filed in the reconstructed folder. If the RPO does not contain a beneficiary reel number or if the copy obtained from the security film is not current (2 years or more old), a VA Form 29-336, Designation of Beneficiary and Optional Settlement, will be sent to the insured with a request that a current designation be submitted. The insured will not be informed that his or her insurance folder is being reconstructed.

c. When the account is not on the master record tape and information is not available from any other source, it may be necessary to obtain a photocopy of the PRC (Premium Record Card). For information and instructions on obtaining a photocopy of a PRC, see [ ] paragraph 27.03b.

d. It may be necessary to request transaction history information on some accounts. However, this type of information should not be requested for a long period of time.

e. A register will be maintained in the Policy Service Section of all reconstructed folders. The register will include the following information:

- (1) Insurance number and file number.
- (2) Name of the insured.
- (3) Amount of insurance involved.
- (4) Date of the memorandum authorizing reconstruction of the insurance folder.
- (5) Date reconstructed folder is released to operating element concerned.

[(6) Date original folder is located.]

## 16.09 ORIGINAL FOLDER FOUND

[When the original folder is located, the original and reconstructed folders will be hand-carried to the Chief, Policy Service Section, for annotation of the register. All material will be combined and filed in the original folder.]

## SUBCHAPTER 3. FILING OF FORMS AND CORRESPONDENCE IN THE INSURANCE FOLDER

## 16.10 FILING OF UNNECESSARY AND DUPLICATE MATERIAL

a. Material for which immediate disposal is authorized in the Records Control Schedule VB-1, part 1, will not be sent to the Insurance [Files Section] for filing.

b. The following [are] guidelines for items that are not to be filed in the insurance folder:

(1) Duplicate copies, except those maintained as official record copies (including carbon copies of dictated letters that have no record value).

(2) Routing and reference slips that do not contain information of record value.

(3) Envelopes that are of no further value in support of an application or a claim.

(4) Control copies of forms, form letters, correspondence, diary cards, etc., prepared solely for the purpose of suspense, pending, or followup action.

(5) Correspondence which consists of inquiries and requests for information about insurance matters and which does not contain any information of record value, EXCLUDING correspondence which is to be filed in the insurance folder. Generally, this correspondence is disposable because it is of an NAN (no answer necessary) nature or because a form or form letter was prepared in reply to the inquiry. If a form or form letter was used for the reply it will be identified in the right margin of the correspondence. The letter D will also be entered in red and large enough to cover the correspondence so that it can be easily recognized as disposable mail. The correspondence will then be placed in the destroy mail receptacles. Each day the group head or designee will review the destroy mail to assure that the inquiry was properly processed and that disposal is in order. If the proper action was taken, the reviewing official will dispose of the correspondence in accordance with Records Control Schedule VB-1, part I.

## 16.11 FILING OF RECORD PRINTOUTS

a. VA Forms 29~5886b, [ ] Insurance Record Printout, are generated by the computer system to furnish the latest contractual and accounting information and mailing address for those accounts on the master record. Also, they show all pending transactions on the pending tape.

b. RPO's generated with the following reason codes should be filed in the insurance folder:

(1) **Reason Code 319.** System unable to calculate when indebtedness will equal or exceed the reserve or change an action or date. Forward the RPO to computers for manual calculation of critical date. Lift the policy freeze and file the RPO with clerical calculation in the insurance folder if critical date is within 15 months.

(2) **Reason Code 865.** (USGLI) Renewal callup date. Account renewed and insured is age 65 or older. If informed about Endowment at Age 96 plan within last 3 months, destroy RPO in accordance with Records Control Schedule VB-1, part 1. If not, release FL 29-692 with VA Form 29-358a, Application for Exchange to Special Endowment at Age 96 Plan, attached. Annotate RPO and file in the insurance folder.

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(3) **Reason Code 869.** First notice, 1 year before expiration of current term period on "W" insurance. Policy not eligible for renewal at end of current term period. Notify the insured, note RPO and file in the insurance folder.

(4) **Reason Code 870.** Final notice, 90 days before expiration date of current term period on "W" insurance. Notify the insured, note RPO and file in the insurance folder.

(5) **Reason Code 904.** Final notice of automatic surrender 1 month after the surrender date. Note RPO to indicate release of forms as well as necessary input documents, date, initial and file in the insurance folder.

(6) **Reason Code 996.** (USGLI) Insured will reach his or her 65th birthday in 1 month. If insured was informed of the Special Endowment at Age 96 Plan, destroy RPO. If not informed, release FL 29-646 with VA Form 29-358a attached. Annotate RPO and file in the insurance folder.

(7) **Reason Code APPND.** Application for disability waiver received. File RPO in insurance folder.

(8) **Reason Code DLT.** Policy deleted from the master record. Not matured endowment or death claim. File RPO in the insurance folder.

(9) **Reason Code FLD.** A policy has been inserted in the master record or a new life premium amount has been stored in the master record. The RPO will be filed in the insurance folder.

(10) **Reason Code MELTR.** (NSLI only) Endowment policy due to mature during 6th calendar month following current processing month. System did not release VA Form 29-8654. Clerically release the form letter to the insured, if appropriate, annotate the RPO and file RPO in the insurance folder.

(11) **Reason Code RDN.** Transaction to correct redundancy (invalid data) processed. Invalid data was corrected. RPO indicates the status of the account after clearing of invalid data. File the RPO in the insurance folder.

(12) **Reason Code REI.** Reinstatement automatically processed by the system under provisions of VA Regulation 3422. File RPO in the insurance folder.

(13) **Reason Code RV.** Tape-to-tape transfer of master record accomplished in receiving office. File in insurance folder when it is received.

(14) **Reason Code TV.** Tape-to-tape transfer of insurance records at transferring office. File the RPO in the insurance folder with the RV RPO.

(15) **Reason Code WTC.** Automatic purge of a "W" contract indicating cancellation was processed by the system. Forward RPO for filing in the insurance folder.

c. The description of the RPO reason codes in subparagraph b above is not complete and is furnished only for the purpose of indicating the kind of RPO's that should be filed in the insurance folder. For a complete description of RPO reason codes, see MP-6, part II, supplement No. 1.4, chapter 1.

d. The following type of RPO's will be filed in the insurance folder after any necessary action has been completed:

(1) RPO's used in connection with refunds that are routed to Voucher Audit activity for review.

(2) RPO's which contain calculations made by the computer clerk or Policy Service technician that have significant record value.

(3) RPO's received in connection with nonnegotiable or uncollectible checks.

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(4) RPO's reflecting an action taken which will not appear on the transaction history list (e.g. reinstatement under VA Regulation 3422).

(5) RPO's containing calculations, or instructions for preparation of **forms or form** letters, if the employee processing the RPO determines it should be retained.

(6) RPO's noted to reflect release of forms or form letters **of record** value.

e. Operating personnel are responsible for preventing the filing of unnecessary material in the insurance folders. Particular attention should be given to RPO's attached to other file material to **see** that they are **removed** prior to filing, if they are not the type that should be retained for record purposes. An exception to this instruction is filing material that is too small to file in the folder. Material of this nature may be attached to RPO's even though the reason code is one which would usually not be filed in the insurance folder. Unnecessary material will be removed as it is found during routine processing of the folder. However, folders will not be reviewed for the sole purpose of removing this type of material.

f. Requested and generated RPO's not meeting the above criteria will be disposed of in accordance with Records Control Schedule VB-1, part 1.

#### 16.12 FILING OF DOCUMENTS AND CORRESPONDENCE

a. Official documents, including formal and informal applications will be filed inside the left flap of the insurance folder. All correspondence, except informal applications will be filed inside the right flap of the insurance folder.

b. When copies of marriage, or birth, divorce decrees or a similar certificate is received from the insured or a representative indicating a desire to have them made part of the insurance records, they will be accepted and filed in the insurance folder.

c. Such copies of documents will not be perforated, stapled or noted in any way. They will be filed in the insurance folder in an envelope and noted to indicate its contents.

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August 18, 1977

)

Assistant Director for Insurance (29)

Reconstruction of Records

Chief, Insurance Operations Division (291)

1. This will confirm our discussion of August 17 on the above subject. Effective immediately, a register will be provided the

Policy Service Section which will reflect all reconstructed folders.

2. In accordance with the provisions of M29-1, Part 2, paragraph 16.08e, the register will contain the following information:

1) Insurance number and file number

- 3) ~0unto' of insurance i `uD'
- i4) Date of memorandum autho reconstru of d o the insur folder . ` ` id ido D.o
- ~ ` ~5), Date reconstruct folder is released to the operating element involved

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d e(iue~iin0gior~c~nst~uction of a folder by means of an over printed 3230 will be disco. The reconstru of a folder from now 0Th'e~~ only be autho- rized the Chief or Assistan Chief, Insurance Operations Division.

4. In the future, when a'u 00folder cannbi be located, a i d I't0C'flora0'h~()um to the Chief, Insur bperationon DiVdsion~ will be prep<~r~~d by the Chie"f, insurance files Section. This m~~~if~ooranduri. will state the circumstances involved iD.c the loss of the folder, i.e., to wh(m1'0ias ~the. folder last i c~l~1i2:qod, tllioe date Of th'at cI~rqe, is th~rei;0 file material 0E' o in the charge-o jacket which woould indicate last action

taken<sup>0</sup> what searching has been done,has a, o~~ar'ch10bee~n made in. the Federal Records Center and who condoot, or) ti~te 5(:~harth Upon reco<sup>0</sup>ipt of the omse'i;~ra~cju~ma~ im~i th~~ ~O'ffiioco oo'if tie Cj•iief, insurance O;)erations<sup>1</sup> ~fl"ivih~jon:;00 .t0-h~ factn In t'be `n'er~o-randum will be revics.oed. if a further'0 ~oeL'~~'C~ `is 0warrante~s' by `the ~£3ection last having the folder, tl~L~h n'.eri~or~~~nd'im `n<sup>1</sup>5~i(:)uld b-e

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~0~D

Chief, insurance Operation~ Division (291)

At

referred to that, S~~ttion for further search and ecdorsen5~ent reflecting what searching was~accomplishod and the r~l~scltn of t)~o search.

5. if results of all searching are negative, the Chief or Aq•sistant Chief, insurance Operationsi Division will endorse th~o r'..emornduw to the Chief,' Policy <3service Section autl~orizingj approval or returning the n'?tmoand~rn to the Chief, Insur~nee Files Section for further dearth.

(;. Upon locati0n of the original folder after reconstruction has been acto~mplished, both foldert will be. I~acd carried to the Cj'~icf, Polity Service election and annotatioc of t)~e Reconm~~trection i~egister.

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## CHAPTER 17. REJECTS

## 17.01 GENERAL

a. All input documents introduced into the computer system are subject to certain preedits during the daily processing runs.

b. Run 130 is the preedit program for all file maintenance transactions. This run checks the input for validity, format, related fields, certain calculations and sequence if the input is coded with transaction types used for inserting a new master record on tape. When the edit routine of a run 130 detects an error condition in connection with the input data, the name code is replaced by a three-digit numeric code or a special three-character code. This code denotes the type of discrepancy found during the edit. The field which does not meet the edit requirements will be identified by an asterisk in the last position of the field containing the invalid data.

c. MTC (Miscellaneous Transaction Control) accounts are edited for out-of-balance situations. Debits and credits to the MTC account for each file number are checked. When an out-of-balance condition is found, an MTC reject card is created. Run 130 will continue to edit all inputs and each transaction meeting the edits will be coded 888 in the name code field. Those transactions not meeting edit requirements will be coded individually with other reject codes which will be used to identify each type of edit error.

d. Rejected transactions from previous day numbers which have been corrected and resubmitted are coded to bypass the MTC edit. An X is gang-punched in the file prefix field to identify these transactions. This insures proper control of documents posted to the general ledger accounts.

e. Rejects appearing on the reject list with an alphabetical character in the left column of the list indicates that the input has rejected more than one time.

f. The daily processing run 140 edits the information furnished on the input tape with the logic of the specific program function and data in the master record before processing is accomplished. All transactions meeting the logic of the program are processed, and transactions continue to process until an error condition is detected by the program or has been coded as a reject in run 130.

g. Reject cards, reproduced input documents, VA Form 29-5886a, Record Print Out, (RPO) or VA Form 29-5886b, Insurance Record Printout, and a reject listing will be received for transactions that do not meet edit requirements.

h. Rejects identified by a dash (-) between the file number and transaction type on the reject card; e.g., 1000 00 00-8I, with no reason code shown on the reject card indicates there is no master record on tape under that file number.

i. Second-day releases will be identified by the letter **R** and third-day by the letter **X** printed between the file prefix and the file number on the daily reject list.

j. The descriptions of reject reason codes are outlined in MP-6, part II, supplement No. 1.4, chapter I.

## **17.02 RE SUBMISSION OF CERTAIN REJECTED INPUT DOCUMENTS**

a. Reject cards, reproduced input documents and RPO's must be reviewed to determine the cause of the reject before re submission. **All** other entries on the input document, corresponding to the reject card with the error condition, must be examined for correctness and/or completeness.

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b. When the error condition is in connection with one of the following input documents, a new input document must be prepared:

- |     |                  |                                          |
|-----|------------------|------------------------------------------|
| (1) | VA Form 29-322   | Disbursement Address or Trailer Input    |
| (2) | VA Form 29A97    | Request For Transfer Insurance Records   |
| (3) | VA Form 29-5899  | Request For Record Print Out             |
| (4) | VA Form 29-5899a | Reinstatement Input Card                 |
| (5) | VA Form 29-5934  | Change of Address For Insurance Purposes |

## **17.03 REINSERTING REJECTED INPUT DOCUMENTS**

a. Corrections may be made on the reproduced input documents provided the transaction code type is valid for the action to be taken and is on the proper form for the segment being inserted or changed.

b. If the rejected input card can be reinserted without a change, a large **R** in red must be placed on the right side of the face of the card to indicate that no correction is necessary before re submission, except for punching the name code. No other entries are required.

c. If the rejected input card requires a change before re submission, it must be corrected clerically as follows:

(1) The corrected information must be entered with red ink in the blocks on the reproduced input card immediately below the blocks containing the incorrect data.

(2) Corrected information must be block printed. The entire field involved must always be completed even though only one character is wrong.

*NOTE: A field is a group of common data, such as, an amount of money, a fund code, a file prefix, a file number, a control account number, a name code, etc. Normally, fields on input cards are divided by solid lines, but in some instances, broken lines are used, particularly when a field is used for more than one purpose. In other words, a field is any block or group of blocks on any input card that has a specific title.*

d. If data are to be deleted and the field is to be left blank, an encircled lowercase(b) must be printed in the first block of the field and a line drawn from the-through the remaining blocks of the field.

e. A new input document must be prepared if the reproduced card cannot be used. A large C in red must be placed on the right side of the face of the new input card to bypass certain edits to indicate that the input is part of a previously rejected case.

f. Any additional or replacement input documents which may be required to complete the case must be clerically prepared. The batch number from the related input cards must be shown, unless a B or T batch number is to be assigned in lieu of the number shown.

#### **17.04 ROUTING PROCESSED REJECTED INPUT DOCUMENTS**

a. Corrected rejects will be released in one group to the Input/Output activity, except when the batch number must be changed to a B or T number.

b. When input cards, other than XC- and matured endowment cases, are rejected because a B, K or T batch number was not assigned to the input documents with one or more control account numbers 01,, 05, 09, 20 and 52, the corrections must be resubmitted through the Accounting Section, Finance and Data Processing Division, for assignment of a B or K batch number or to Voucher Audit for a T batch number.

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c. Label the XC- and matured endowment corrections, which can be identified by the accounting transactions involving control accounts 13 and 51 and assign an XB and/or T batch number on the corrected input and related cards, where necessary, for delivery to the Input/Output activity.

d. When deletion of a pending transaction involving a money item was rejected for RPO, reason code 012, No Matching Pending Transaction on Tape, check for an erroneously updated insurance account, as well as an out-of-balance MTC transaction. A dual correction of this type may be needed where duplicate actions were taken to post a pending transaction and the second transaction type 098 was rejected or the system accepted an 083 transaction, but rejected the related 098 transaction and the pending transaction was automatically posted.

e. Input documents will be used wherever possible to correct an MTC out-of-balance. For example, if the Premium-Offsets account (32) is overstated because of duplicate actions to delete and post a pending transaction, the corrective action will consist of VA Form 29-5893a, Premium input Card, with transaction type 083, showing a debit to the Premium-Offsets account (32) and credit to Miscellaneous Transaction Control account (39).

#### **17.05 ADDRESS CHANGE REJECTS**

a. Run 140 address change rejects which did not match on name code must be returned to the Input/Output activity for processing. These rejects will be further processed as follows:

(1) Policy Service Technicians will associate the record printouts with the reject cards and process in the regular manner.

(2) In requesting source documents for address change rejects, the Policy Service Technician will enter in large red letters in the upper right corner of VA Form 29-5891a, Address or Trailer Input, SD (Source Document Requested). The VA Form 29-5891a will be released to the General Clerk.

(3) The General Clerk will accumulate VA Forms 29-5891a and release daily to the Data Control Section by VA Form 3230, and the Remarks block noted Source Document Requested.

*NOTE: Do not staple reference slip to VA Forms 29-5891a. These will be machine-sorted in the Data Control Section if volume permits.*

(4) Data Control Section will assemble the VA Forms 29-5891a with the source documents attached and send to the Policy Service sections properly identified by VA Form 3230.

(5) Any cases remaining uncorrected will be forwarded to Index with the source document.

b. The following types of address change rejects must be processed by the originating element:

(1) All address change rejects where there is other input rejected for the same file number.

(2) Run 140 address change rejects which match with a record printout (other than reason code 988).

(3) Run 140 address change rejects (identified by a dash (-) on the reject card between the file number and transaction type; e.g., 1000 00 00-081) with no other type rejects, or accompanying record printout, must be processed by the appropriate insurance activity or Record group.

#### **17.06 CORRECTION OF A DIARY MESSAGE**

When deleting a diary, the message must be written exactly as it appears on the record printout. If a reject is received because the input card did not match the transaction on tape, it will be necessary to prepare a corrected input document.

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**CHAPTER 18. TRANSACTION HISTORY LISTS**

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## CHAPTER 18. TRANSACTION HISTORY LISTS

### 18.01 GENERAL

**a.** **The insurance** master record maintained on tape contains current information. To retain the history of all insurance transactions, with the exception of [those listed below, **a** daily] computer-produced listing [is prepared showing **all transactions** processed.] They are microfilmed daily for security purposes **and** the original of the listing is stored in the Finance Division. The copies are filed in the Administrative Division. [Transactions that will not appear on daily listings after October **1974**, are **as** follows:

(1) TT 008-which apply to non monetary pending transactions, except the insertion of **a** nonfreeze waiver diary, when **an** application for waiver is received, or the insertion of **a** review diary when the premium is how paid code 5 (waiver) and there is no review diary on the pending transaction tape.

*NOTE: Transaction lines will be generated for TT 008, insertions of dividend information, TT 026 and the IXX series, deduction establishments and discontinuance's.*

(2) **TT 078**-which applies to **a** change of an underwriting diary, change or correction of **a** waiver diary, **and** Policy Service nonmonetary diaries.

(3) TT 083-which applies to how paid 5 (waiver) cases.

(4) **TT 087**-which applies to how paid 5 (waiver) cases.

(5) TT 098-which applies to the deletion of **a** non monetary pending transaction; and, the deletion of a waiver diary from the pending transaction tape when an application for disability waiver is disapproved or when **a** duplicate diary exists.

(6) **TT 700**-billing.

*NOTE: Transaction lines will be generated for TT 098, deletion of dividend information and the IXX series, deduction establishments and discontinuance's.*

(7) Transaction types 033, 040, 050, 080, 501, 603, 700, 800, 810, **820** and **944.**]

b. The listings show a single line entry for each transaction processed, showing identification data and transaction type. The sheets are divided into 500 equal segments with 20 secondary digits to each segment based on the terminal digit filing system. Each line of history contains two processing day numbers. One is for the date of transaction shown on the listing. The other processing day number is for the date of the last previous transaction for this master record. If the history relates to premium, loan, lien, dividend credit or deposit, a third processing day number will indicate the date the last transaction was processed for premium, loan, lien, dividend credit or deposit. Data are obtained from the listings by the use of thermofax prints which are prepared by personnel of the History Retrieval Group.

c. The listings are retained for 12 months, at which time they are microfilmed again and discarded. History required prior to the 12-month period must be obtained from the microfilm files.

## 18.02 REQUESTING TRANSACTION HISTORY INFORMATION

a. When transaction data are required, a current VA Form **29-5886** [b, Insurance] Record Printout, will be used to request the information.

b. The RPO [record printout] must show the earliest PDN (processing day number) and the last two digits of the year history is needed, the transaction type(s) desired and a correspondence symbol. After determining what history is needed, the clerk will enter positive entries in the upper right corner of the RPO or use a stamp impression -

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c. Effective with DN 317/62 (November 13, 1962), all transactions processed against the loan, lien, premium and dividend credit and deposit segments and recorded on the transaction history lists will reflect the day number of the last **prior** transaction affecting the segments. The year will also be shown in the loan and lien segments.

d. **On PDN 153/68 (June 1, 1968), all NSLI, (National Service Life Insurance) VSLI (Veterans Service Life Insurance) and USGLI (United States Government Life Insurance) master records were combined for the same insured under the governing file number.**

(1) **Good judgment** must be exercised when requesting history on **cases** when multiple life segments for one insured have been **merged** under the same file number. The clerk must determine if history **is** required on **all contracts or if** history transactions for one particular account only will suffice to complete the required action. The request **should be made accordingly.**

(2) When the history trail required will extend prior to PDN 153/68 (June I, 1968) on one or all of the insured's contracts, it will be more expedient to split the request. The RPO's (record printouts) will be used for this purpose **and** the notation thereon **specific** as to the intent.

### **Example 1:**

Insured has active V and active J contracts and history **is** required on both, from the current PDN back to **000/67.**

FV30IOOOO  
3010000

FV 3010000  
J81000090

**Action:**

On the V RPO, request history from the current PDN to PDN I 53/68 on both contracts and from PDN I 53/68 to PDN 000/67 on the V contract only.

On the J RPO, request history from PDN 153/68 to PDN 000/67 on the J policy only.

**Example 2:**

Same two contracts; history is required on the J contract only, from current PDN to PDN 000/67.

**Action:**

Show the J number in red in the upper right margin of the V RPO and request history from the current PDN to PDN I 53/68 on the J contract only.

Use the J RPO to request history from PDN 153/68 to PDN 000/67 on the J contract only.

**Example 3:**

Same two contracts; history is required on the V contract only from current PDN to PDN 000/67.

**Action:**

Use the V RPO to request history from the current PDN to PDN 000/67 on the V contract only.

e. When history on a particular transaction type is needed, enter the letters **TT** followed by the code number of that transaction on the RPO adjacent to the PDN requested. The approximate PDN is shown to prevent the history clerk from looking back any further than necessary.

f. When history to February 3, 1969, is required on a certain transaction type series, note the code number on the RPO. For example:

- (1) TT 200 series-034/69.
- (2) TT 400 series-034/69.
- (3) TT 500 series-034/69.

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The history will include all transaction types with the first digit (high order) of the series requested. For example, if the request shows **TT 200 series**, the history will include all 200 (200 through 219) items. The same rule applies to a" such transaction type series requested.

g. The transaction type series may also be shown as 0-2, 0-3, 0A, 0-5, 0-6, and 0-7. when there is a question of status on a direct pay or payroll deduction account, request only the transaction series that are involved. For example:

- (1) TT200 series-034/69.
- (2) TT 0-3 series-034/69.
- (3) TT0-4 series-034/69.
- (4) TT 0-8 series-034/69.

The history prints will include **any** dividend credit automatically applied under the dividend credit or premium options which would be reflected in the 200 **series**. If there is a **loan**, lien, and/or **TDIP** (total disability income **provision**) segment on a policy, the request should include 300, 0-5, 0-6, and/or **0-7** series. In addition to the **200 and/or 300** series, prints are also made on a" transaction types beginning and ending with the other numbers **shown**. The dash between the numbers includes **any** number **0** through **9**.

h. When premium status on how paid **8** and **9** accounts is needed, the lookup period **may** be reduced by lining through the last life transaction day number and inserting in red the earlier **day** number, if applicable, from the last premium processing **day** number. A stamped impression **may** also be used **for** these entries. In Philadelphia, this will not apply if the earlier day number is before DN 230, August **18, 1961**. **This** was the effective date that clerical processing of VA Form **29-5893a**, Premium Input Card-ADP, caused **the** system to enter that processing **day** number in the **LAST PREMIUM PROCESSING DAY NUMBER** field.

• Transaction history prints are not furnished for address changes, life segment inserts or changes (transaction

**types ending with 0**), and/or most diary inserts and deletes (pending **transaction type 978**), unless specifically requested. If prints of these items are needed, **note** the RPO accordingly.

j. Whenever long and comprehensive history prints **are** used to review an account, consideration should be given **to filing** certain histories in the insurance folder for utilization in subsequent actions. Filing of these prints will be restricted to situations when it **may be** necessary to recapture this information as indicated by repetitive inquiries in the insurance folder. Filing of extensive histories will be based strictly on **good** judgment.

(1) History prints to be filed in the insurance folder will be stamped Ready for File **and** dated.

(2) **In** future review of folders, histories over 1 year old from date of filing will be removed and reported **for disposal**.

(3) Transaction prints on routine cases will continue to be disposed of in accordance with Records **Control** Schedule VB-I, part 1.

### **18.03 TRANSACTION HISTORY LISTS ON CERTAIN SPECIAL COMPUTER RUNS**

a. Special Computer Run **on** September 24, 1966 (PDN 267)

(1) As a result of this run, to reduce the premium rate on **NSLI TDIP Age 60 (\$5 and \$10)** permanent plan riders, a transaction history list of a" the reduction and refund actions was established. This list contains a line entry for each policy **on** which the **TDIP** premium was reduced and a line entry **for** each refund as a result of the reduction calculation. These line entries are the same as those for the regular **027** and **609** transaction types. If required, VA **Form 29-5935 or 29-5935b**, **Transaction Print** Templates, may be used **to aid** in reading the data.

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(2) Clarification concerning the **calculation dates, shown as a month** number in the Next Premium Due field, are as follows:

(a) **Reductions of the TDIP** premiums for a" allotment (how paid 6) and deduction from VA benefits (how paid 3) accounts were made as of the October 1966 premium due date.

(b) **Reduction of the TDIP** premiums for a" direct pay (how paid 9) and employee payroll deduction (how paid 8) accounts were made effective with the October 1966 premium due date if the month number shown is 574 (October 1966) or higher. If the month number shown is higher than 574, the calculation included any premiums paid beyond that date and the credit is included in the refund. If the month number is lower than 574, the calculation was made through the month that premiums were paid.

(c) **Reduction of the TDIP** premiums for the total disability waiver (how paid 5) accounts was made as of the October 1966 premium due date.

(d) **Reduction of the TDIP** premiums for the paid-in-full limited pay life policies (how paid 0) was made effective as of the October 1966 date. The month number shown on the transaction history list represents the premium month in which the policy became paid-up.

b. Special Computer Run on September 27, 1970 (PDN 270)

(1) As a result of this run, to reduce the premium rate on NSLI TDIP Age 60 and 65 (\$5 and \$10) riders on certain term policies and premiums on J policies, transaction history lists of a" the transactions processed and pending diaries created were established. The reduced premiums were effective with the October 1970 premium due date.

(2) A transaction history list of all transactions, when the reduced NSLI TDIP term or J premium was entered into the master record, was established. The reduced premium was entered if the September 1970 premium was paid and there was no life or policy freeze. However, on deduction from VA benefits (how paid 3) and allotment (how paid 6) accounts the reduced premium was entered in the master record even though there was a life or policy freeze.

(3) A transaction history list of pending diary transactions when the reduced premium could not be entered into the master record because the September 1970 premium was not paid or because there was a life or policy freeze, was established. This transaction shows the reduced TDIP monthly rate per \$1,000 or the reduced J premium (including administrative cost) for the mode of record.

[c. Special Computer Run on September 30, 1976 PDN 27D

(1) Transaction lists of all of the transactions processed and pending diaries created, as a result of this run, were established to reduce the premiums on J and JR policies. The reduced premiums were effective with the October 1976 premium due date.

(2) A transaction history list was established when all pending transactions were processed through a subroutine known as 2 POST PENDING; transactions to reduce the premium (TT 082), transactions to insert refund diaries (TT 008-609) and transactions increasing the monthly loan repayment amounts (TT 025).

(3) **The reduced** premiums were **entered** into the master records for a" of the **J and JR policies** **except** for the **following cases**:

- (a) **How paid 2 and 4,**
- (b) **Policies maturing during October 1976, and**
- (c) **Pending death claims**

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#### 18.04 GUIDELINES FOR REQUESTING TRANSACTION HISTORY INFORMATION

a. The following guidelines apply when requesting history lookups:

(1) Reason code 012 on the RPO, indicating that a pending posting item was [deleted and therefore] rejected because it did not match the pending transaction.

(a) Arrange the reject cards representing the pending transactions which are no longer on tape, in chronological order.

(b) Request transaction history lookup to the latest unit number involved.

**Example:** Rejected pending transactions no longer on tape: Unit #1300, PMD IO- 1-69, \$13.20 Unit #1328, PMD 11-16-69, \$13.20 Unit # 1039, PMD 2. 1-70, \$13.20 Show PDN 039/70 on the RPO.

(2) Reason code 277 on the RPO indicating the postmark date of the payments is before the date of the last premium transaction in the master record. Request lookup to day number and year indicated by the last premium PDN. If status code block indicates a U, this item was inserted by Miscellaneous Accounts and Service Unit. History lookup is not required.

(3) **Reason** code 874 on the RPO indicating renewal was processed, but the deduction has not been received or the deduction was made pending by the system because it could not be posted automatically.

(a) If the allotment information is not in the pending transaction area, transaction history lookup is needed

to find out when the system released either VA Form 29-[483a], Certificate of Renewal, (Philadelphia), or VA **Form 29-5926**, Request for DFB Action, (Philadelphia). This information is shown in the transaction history list

under transaction type 810.

(b) Enter in the reason code block, transaction type 810 and the year involved.

**Example:** TT 810/69

(4) Reason code **957** on the RPO, indicating a TDIP transaction was processed, but clerical action is necessary. The system uses this reason code when the edit regarding a current transaction discloses one of the following erroneous conditions:

- (a) Effective date of TDIP is earlier than effective date of life contract.
- (b) Next month due and/or how paid code on TDIP is different from that on life contract.
- (c) TDIP fund code or action type and date are wrong.

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1. Refer to miscellaneous input and terminal digit (input) listing and reject listings for the day number on which the RPO was generated, to find what caused the erroneous condition.

2. If neither of the listings show how the differences occurred, request transaction history lookup to the day number shown in the block entitled Last Prem. Proc. Day No.

(5) Dividend Information Needed

(a) Prepare VA Form 29-5720, Request for Paid Dividend Information, for the years involved, and refer the form to the unit maintaining the paid dividend files.

(b) If the VA Form 29-5720 is returned No Record, request transaction history lookup by entering the transaction type involved and the earliest day number and year in the reason code block of the RPO.

**For example:**

TT 606-Enter PDN **296/69** on the RPO.

(c) The VA Form 29-5720 may indicate an offset of indebtedness.

1 - If the legend **CTL** is shown in the Indebtedness block, obtain a **TT 606** transaction line print to determine the-gross dividend and any offset.

2. If the amount of dividend is not compatible with the amount earned, obtain a **TT 606** transaction line print to determine if an offset was made.

(d) Since the face amount of insurance does not appear on the **TL** line which is generated when the dividend is paid, the dividend rate that is to appear in the TL line will be doubled for plan **9**.

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*NOTE: With an assumed dividend rate of \$0.50, that figure will appear on the record printout in the Rate Per Thousand block. However, the rate will appear as \$1 in the miscellaneous listing, transaction line.*

(6) Itemized List of Premium Payments Needed to October **27, 1969**. Enter transaction type and earliest day number in reason code block of the RPO.

**Example:**

TT 200 series-300/69.

(7) UNCOL in lower right corner of the reason code block of the RPO indicates an uncollectible item was not processed by the system. Clerical action is necessary to prepare input documents.

*NOTE: If the uncollectible item cannot be identified and processed from information shown on the RPO, use the RPO to request transaction history through the original processing day number (same as unit number) on the uncollectible item.*

**18.05 TRANSACTION HISTORY INFORMATION RECEIVED**

a. When thermofax are prepared from the transaction history lists for the information requested on VA Form 29 5886a, Insurance Record Print Out, or other requesting document, the prints are returned stapled to the requesting RPO or document.

b. VA Form **29-5935**, Transaction Print Template, is used to read thermofax prints of transaction history lists prepared prior to PDN 153168, June 1, 1968.

c. VA Form **29-5935a**, Transaction Print Template, is used to read prints of transaction history prepared prior to PDN 153/68, June 1, 1968, reproduced from the microfilm.

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d. VA Form 29-5935b, Transaction Print Template, is used to read thermofax prints of transaction history prepared on and after PDN 153168, June 1, 1968:

e. VA Form 29-5935c, Transaction Print Template, is used to read prints of transaction history prepared on and after PDN 153/68, June 1, 1968, reproduced from the microfilm.



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## CHAPTER 19. LIMITED PAYMENT LIFE ACCOUNTS

### 19.01 GENERAL

a. National Service Life Insurance limited payment life accounts are processed automatically by the system at the end of the premium-paying period (20 or 30 years) if certain conditions are met. If the conditions are not met, input documents must be clerically prepared to process the account. The conditions are listed in the following paragraphs. United States Government Life Insurance policies are not processed automatically by the system.

b. Limited payment life policies are issued as 20-Payment Life and 30-Payment Life only.

c. How paid code 0 indicates premiums have been paid and earned to the end of the premium-paying period.

### 19.02 PROCESSING BY THE SYSTEM

a. The system will automatically process cases meeting the following conditions at the end of the premium-paying period which is indicated by a 901 callup (callup for non deduction accounts):

(1) The final premium is paid and earned.

(2) TI~ how paid code is 9 (direct pay) or 5 (disability waiver) (38 U.S.C. 712).

(3) A combination of loan and dividend credit balance does not exist.

(4) There is no lien or other indebtedness.

- (5) The dividend option is other than premium.

(6) The current dividend has been authorized.

(7) There are no transaction types 203 pending.

(8) (Deleted.)

(9) fife account is not a USGLI policy.

*NOTE: The system will not automatically process a deduction type account (how paid [ ] 3, deduction from benefits or how paid f j 6, allotment) or an employer payroll deduction (how paid [j 8, payroll deduction). However, when the deduction discontinuance is posted, either by the system or clerically, and the how paid code is changed to 9, system processing will then take place provided all other conditions are met. If not, a VA Form [29-5886b, Insurance] Record Printout (RPO), with reason code 901, will be generated. In these cases, an (AT (automatic typewriter) letter) will be released to the insured.*

b. The system will, if all conditions in subparagraph a above are met:

(1) Change flee how paid code to 0 and flu last transaction date to the anniversary date following the end of the premium-paying period.

(2) Delete pending transactions in flee 200 series, unless one of the transactions is transaction type 203, or, in a multiple policy case, the pending transaction has no policy number.

(3) Insert a 609/609 pending disbursement to refund the deleted pending transactions (plus any premium overage or minus any premium shortage).

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(4) On how paid 5 cases, generate an RPO with reason code DWT or STOP WAIVER to be sent to the Insurance Claims Section, delete the 944 diary, and turn off the reimbursable bit, if this bit is set.

(5) Release VA Form 29-5885, Information About Your Insurance, to the insured, with the following message:

WE ARE PLEASED TO TELL YOU THAT THE PREMIUMS ON YOUR LIMITED PAYMENT LIFE POLICY MAINTAINED IN FORCE UNDER THE PREMIUM WAIVER PROVISION ARE NOW COMPLETELY PAID.

#### 19.03 RELEASE OF VA FORM 29-5885, INFORMATION ABOUT YOUR INSURANCE

a. VA Forms 29-5885, with ilk following messages, are generated by the system when the final premiums on a how paid code 9 limited payment life policy is automatically applied:

1. Direct payment

Your payment of \_\_\_\_\_ dated \_\_\_\_\_ paid the final premium due on policy \_\_\_\_\_. No further premium payments are necessary.

(2) Direct payment-TDIP payments continue

The payment of \_\_\_\_\_ dated \_\_\_\_\_ paid the final premium due on the life insurance on policy \_\_\_\_\_. However, premiums on your total disability income provision are payable to age 65. The next \_\_\_\_\_ TDIP premium of \_\_\_\_\_ is due \_\_\_\_\_. TDIP premiums may be paid monthly, quarterly, semiannually, annually, or for longer periods. Information will be supplied on request.

(3) Statements similar to flu above are released when dividends are applied under the dividend premium option with modifications to substitute dividend for payment.

(4) The following additional statements are added to flu VA Form 29-5885:

(a) Participating policy

Dividends continue on paid-up accounts. However, the amount may change from year to year.

(b) All VA Forms 29-5885

The face value of the policy, less any indebtedness, is payable to the beneficiary at your death. Cash values are shown in the table of guaranteed values in your policy. The cash value for any future year will be quoted upon request.

b. When a how paid 9 account must be clerically updated at the time the final premium is paid [an AT (automatic typewriter)] letter will be released to the insured.

#### 19.04 CLERICAL PROCESSING OF GENERATED RECORD PRINTOUTS

a. When all conditions are not met for the automatic processing of a limited payment life policy for a non deduction type policy, an RPO, reason code 901, is generated. Upon receipt of this RPO, take the following actions:

(1) The life and, if appropriate, the TDIP how paid code will be changed to 0, the last transaction date to the anniversary date following the end of the premium-paying period and the freeze on the master record will be removed.

(2) Pending remittances, plus premium overages or minus shortages, will be refunded.

(3) If there is a dividend credit balance and an indebtedness, the insured will be advised that the dividend credit can be applied to pay or reduce the indebtedness.

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(4) If the dividend option is premium, take the following action:

(a) If no loan indebtedness exists, the dividend option will be changed to credit.

(b) If a loan indebtedness exists on the policy, the option will be changed to the indebtedness option provided there are no other policies on a premium-paying basis; otherwise, the option will be changed to credit.

(c) No change of option will be made if TDIP premiums are payable beyond the premium-paying period of the life contract.

(d) FL 29-658 [or an AT] letter, as appropriate will be used to advise the insured of the action taken, the status of the insurance and other dividend options available.

b. An RPO, reason code 273, is generated when a Collections item is processed and one of the following conditions exists:

(1) Payment was applied and paid premiums to the end of flu premium-paying period with a shortage. The insured will be advised of the status of the policy.

(2) Payment made pending as premiums are already paid through the end of the premium-paying period.

(a) If premiums on TDIP are paid to the cancellation date and the life contract is still on a premium-paying basis, apply any overage or pending remittance to the life premiums only. Change the how paid code for TDIP to 0 to prevent the system from freezing the policy. The insured will be advised of flu status of the policy.

(b) If premiums on flu life contract are paid through the premium-paying period but premiums continue on TDIP, change the how paid code for the life contract to 0. Apply the remainder of ilk remittance, if any, to the TDIP. The insured will be advised of the status of flu policy.

c. When premiums are paid by deduction (allotment, deduction from benefits, employer payroll) and the computer system is unable to make the required processing 4 months prior to the end of the premium-paying period, an RPO, reason code 911, will be generated for clerical processing.

(1) Allotment Accounts

(a) If flu insured has only one policy, and is competent, a VA Form 29-1588, Request for Allotment Deduction Change, is prepared by the system to discontinue or decrease ilk allotment. In addition, the system prepares a VA Form 29-8348, Information About Your Insurance, with the following message:

THE FINAL PREMIUM ON YOUR POLICY IDENTIFIED ABOVE IS DUE \_\_\_\_\_. WE HAVE REQUESTED THE SERVICE DEPARTMENT TO DISCONTINUE YOUR ALLOTMENT EFFECTIVE WITH PAYMENT OF THE FINAL PREMIUM ON THIS POLICY.

A 951 callup, with a callup date 1 month after flu end of the premium-paying period also is automatically established.

(b) If the insured has multiple policies, ilk VA Form 29-1588 will be prepared clerically. A 953 nonfreeze diary will be established with a callup date 1 month after the end of the premium-paying period. The diary message is 1588 (Month No.). The insured will be advised of the action taken to decrease or discontinue flu allotment.

(2) Deduction From Benefit Accounts

(a) Four months before the last premium is due, VA Form 29-5885, Information About Your Insurance, is generated by the computer system for release to the insured informing him [or her VA] will discontinue the deductions that pay premiums on the policy.

(b) If there is a loan segment of \$100 or more, another paragraph is added, stating: However, your deduction can be used to repay your loan. If you wish to do this, please tell us within 15 days.

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1. If a reply is received in sufficient time to prevent flu release of the VA Form 29-5926, Request for [DFB Action], to

discontinue the premium deduction and the transaction does not involve a change in the amount of the current deduction, the mechanically prepared VA Form 29-5926 will be obtained from flu Input [activity], DPC, and routed to the Policy Service [technician]

2. The clerk will destroy the mechanically prepared VA Form 29-5926 and insert a 971 nonfreeze diary using the legend, PREM TO LN (Month No.). The callup date will be the 20th day of the month following the change from premiums to loan effective month.

3. VA Form 29-5923, Allotment/DFB Input Card, will be prepared as input to redistribute the deduction amount to the loan account and insert or increase the deduction amount in the loan repayment field of the loan segment and delete the on-tape diary.

4. An off-tape diary will be established, by month, using the prepared input for diary purposes. The diary date will be the premium-to-loan effective month.

5. Release the prepared input for processing on the first workday of each diary month.

(c) If a reply is received from the insured in time to prevent the discontinuance of the current premium deduction, and the transaction involves an increase or a decrease in the deduction amount, the mechanically prepared VA Form 29-5926 will be obtained from the Input [activity], DPC, and routed to the Policy Service [technician]. [He/she] will destroy the mechanically prepared VA Form 29-5926 and prepare a new VA Form 29-5926 to increase or decrease the deduction with card column 31 appropriately coded.

(d) If the reply from the insured is not received in time to prevent release of the VA Form 29-5926 to discontinue the current premium deduction, a VA Form 29-5926 will be prepared and released to increase, decrease or reestablish flu deduction with card column 31 appropriately coded. The regular diary message will be inserted.

(e) In all instances, the insured will be notified of flu action taken either by release of a VA Form 29-5707, Acknowledgment-Request for Deductions from Benefit Payments, [AT] or dictated letter, whichever is appropriate.

(f) When an RPO, reason code 911, is generated because the computer system is unable to process the action, clerical action will be initiated. VA Form 29-5926 will be prepared to take whatever action is appropriate. A nonfreeze diary will be inserted with a callup date 1 month after the end of the premium-paying period. The diary message to be inserted is 5926 (Month No.). Advise the insured of the status and flu action taken.

### (3) Employer Payroll Accounts

A local form letter or an (AT) letter will be released to the insured requesting discontinuance or decrease of flu deduction, as appropriate. A 970 nonfreeze diary will be inserted with a callup date 1 month after the end of flu premium-paying period. An appropriate diary message will be inserted.

d. RPO, reason code 921, is generated 1 month after the end of the premium-paying period for deduction accounts (allotment, DFB and employer payroll) if the deduction discontinuance has not been processed on the master record. Followup action to discontinue or decrease the deduction will be taken if necessary. If a followup request is made, input will be prepared to advance the 921 callup in the master record 120 days for allotment accounts and 75 days for DFB and employer payroll deduction accounts. The 953 diary is automatically updated by the system; The diary on payroll deduction accounts will be clerically updated to the same date as the 921 callup date.

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(3) Employer Payroll Accounts

A local form letter or an MTST letter will be released to the insured requesting discontinuance or decrease of the deduction, as appropriate. A 970 nonfreeze diary will be inserted with a callup date 1 month after the end of the premium-paying period. An appropriate diary message will be inserted.

d. RPO, reason code 921, is generated 1 month after the end of the premium-paying period for deduction accounts (allotment, DFB and employer payroll) if the deduction discontinuance has not been processed on the master record. Followup action to discontinue or decrease the deduction will be taken if necessary. If a followup request is made, input will be prepared to advance the 921 callup in the master record 120 days for allotment accounts and 75 days for DFB and employer payroll deduction accounts. The 953 diary is automatically updated by the system. The diary on payroll deduction accounts will be clerically updated to the same date as the 921 callup date.



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## CHAPTER 20. EXCESS OF TEN PENDING TRANSACTIONS

### 2(L01 GENERAL

a. **(The MASU (Miscellaneous Accounts and Service Unit) will maintain a control file ii, terminal digit order of insurance file number for VA Forms 29-5954, Excess of 10 Pending Transaction Control Card, received from (the computer system). A VA Form 29-5954a, Excess of 10 Pending Transaction Work Card, will also be received to be used by the adjustment clerk when processing the case under file maintenance procedures.**

b. **(The number of pendings that can be recorded on the pending transaction tape Is 10 per insured, regardless of the number of contracts in force)(From June 3, 1968, until February 19, 1969, 20 pending transactions could have been maintained on an account.) When the maximum number of pendings for an insured have been recorded and another transaction is made pending, one of the previous pending transactions will be automatically deleted by the system. This transaction may or may not involve a monetary amount. Thus transaction will be punched into VA Forms 29-5954 and 29-5954a which will be sent by the DPC (data processing center) to the MASU for control outside the system. A VA Form 29-5886a, Record Print Out (RPO), with reason code 975 will be generated with the punched cards. In addition, a listing will also be provided. Pending transactions represent pending postings, disbursements, dividends, allotment/DFB transactions, diaries, or pending dividend credit! deposit additions. These transactions will always be identified with the file prefix and file number.**

c. **The insertion of a VA Form 29-5895a, Pending Transaction Input, with a special diary message PENDINGS IN ARU, will cause the system to delete all of the pending transactions. The format of the transactions deleted will be the same as they appeared on the pending tape. The diary message on the pending tape will read PENDINGS IN ARU, which indicates all other pending transactions were deleted and punched into VA Forms 29-5954. This method eliminates deleting each pending item by means of individual input documents.**

d. **The excess of 10 pending transaction file is reconciled monthly and must be maintained under strict control. The MASU will be the only operating element to insert or delete the diary message PENDINGS IN ARU. If an RPO containing a diary message PENDINGS IN ARU is received in an operating element other than the MASU, and there exists a new pending transaction requiring file maintenance action, the RPO will be sent to the MASU for necessary action.**

e. **Excess of 10 pending transactions will consist of VA Forms 29-5954 and 29-5954a, and a listing in terminal digit order by insurance file number. For each file number involved, there will be an RPO reflecting a reason code 975.'**

### 20.02 INITIAL AL PROCESSING BY THE UNAPPLIED REMITTANCE CONTROL CLERK

a. VA' Forms 29-5954 **will be** filed in terminal digit order in the control file. Control cards will not be removed from file unless finale action is being taken by the adjustment clerk when processing the case.

b. A copy of the listing will **be filed** by day number order.

c. RPO's will be associated with matching VA Forms 29-5954a and sent to the adjustment clerk for processing.

#### 20.03 INITIAL PROCESSING BY THE UNAPPLIED REMITTANCE ADJUSTMENT CLERK

a. Upon receipt of VA Form 29-5954a and the RPO, VA Form 29-5895a, Pending Transaction Input Card, transaction type 008, will be prepared to insert a diary message PENDING IN ARU **with a** 975 callup type. The record **will be** suspended.

b. VA Form 29-5895a, transaction type 098, will be prepared with information from the VA For-ii 29-5895a, transaction type 008, except for the pending transaction)ii **callup** date and suspend record indication to delete **the diary message being** inserted.

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c. VA Form 29-5895a, transaction **type 008**, will be released to the Data Control Section, data processing Center, for punching and insertion into the next available processing day number for **deletion** of the other 10 pending transactions.

d. The VA Form **29-5895a, transaction type 098, will** be retained for **control purposes to delete** the PENDING IN ARU diary message upon **completion** of the necessary adjustment.

#### 20.04 ADDITIONAL PROCESSING BY THE UNAPPLIED REMITTANCE CONTROL CLERK

After processing of the VA Form 29-5895a by **the** system, and upon **receipt of the pending transactions that** were deleted from the pending transaction tape and the accompanying terminal digit listings, the control clerk **will** take the following actions:

a. Totals of the **listing** will be verified **with** the Accounting Section, **Finance** and Data Processing Division. Any out-of-balance condition will be reconciled before **that group** of work is further processed.

b. The listing will be filed by day number order.

c. **The** VA Forms 29-5954 will be filed with **the** excess of 10 control cards for **the same account**.

d. **The** VA Forms 29-5954a work cards will be associated with a current RPO and the excess of 10 work cards, and sent to the adjustment clerk for processing.

#### 20.05 ADDITIONAL PROCESSING BY THE UNAPPLIED REMITTANCE ADJUSTMENT CLERK

a. **The adjustment** clerk **will** complete all action on the case by the preparation of **input documents**.

b. If an unprocessed application is the cause of the pending transactions, the responsible operating element **will** expedite action on **the application**. If late remittances are the cause of the pending transactions, a search will be conducted for a reinstatement application. If the reinstatement application cannot be located and a reasonable **amount** of time has passed since the **application** was released to the insured, the RPO will be forwarded for release of a status letter. If there will be a delay in processing a case, the reason for the delay will be noted on the lead workcard and all work cards will be refiled in **the** excess of 10 workcard file. A new RPO will be requested before **the** case can be reworked.

c. When a case can be processed, **the** following **action** will be taken:

(1) Insert the file number, last name of the insured and current date on a special over-printed VA Form 2051 b, Data Sheet.

(2) Record calculations and any necessary **notations** will be made on the data sheet under Remarks. These will assist in a subsequent review of the case. If more room is needed, the reverse of the data sheet may be used.

(3) VA Forms 29-5893a, Premium input; 29-5894a, Optional Segment Input; 29-5894b, TDIP Input; 29-5895a, Pending Transaction **Input** Card-ADP; 29-8523, Premium/TDIP; 29-8525, Dividend-Loan-Lien; and 29-8526, Pending Transaction; as appropriate, will be prepared to update the master record. When money is involved, Unassociated Collections-Withdrawn **or** Applied, control **account 20**, will be debited and the control **account** to which the money is being applied will be credited.

(4) The corresponding control cards will be **withdrawn**.

(5) Adding-machine tapes will be prepared from the control cards, reflecting money and control account 20 on the input documents. If not in balance, they will **be reconciled** before any further processing.

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(6) A B-batch number money control punched card will be requested from the Accounting Section to represent the money items being processed by file maintenance actions. For convenience, a group of prenumbered money control punched cards may be assigned in advance to the MASU.

(7) A transmittal sheet will be prepared to include the item count, total money amount disposal, day number disposal code G and the money control batch number.

(8) The input documents, the money control batch card, and VA Forms 29-5895a, transaction type 098, to delete the PENDING IN ARU diary will be sent to the Data Control Section to be included in the next processing day number.

(9) The VA Forms 29-5954, control cards, both money and non money items, and transmittal sheet will be sent to EAM for gang-punching the day number disposed, disposal code G and preparation of a three-part listing. Disposal codes are listed in chapter 21, paragraph 21.08e this manual. VA Forms 29-5954 will be filed in the excess of 10 pending transaction balance adjustment file at the DPC.

(10) The overprinted data sheets, RPO's adding-machine tapes, and work cards will be held until the listing and transmittal sheets are returned.

## 20.06 FINAL PROCESSING BY THE UNAPPLIED REMITTANCE CONTROL CLERK

Upon receipt of the listings and transmittal sheet from the DPC, the control clerk will take the following actions:

- a. The totals on the listing and transmittal sheet will be verified.
- b. The money control batch number will be entered on copies 1 and 2 of the listing.
- c. The original listing will be forwarded to the Insurance Control activity for posting.
- d. Copy 1 of the listing will be filed in the MASU by disposed day number order.
- e. Copy 2 of the listing will support the overprinted data sheets. This copy will be cut after each file number (skip spaces are provided) and stapled to the corresponding overprinted data sheet. The listing reflects all the pending transactions involved and completes the history of the action taken.
- f. The overprinted data sheet and RPO will be forwarded for filing in the insurance folder. The adjustment clerk in the Policy Service Section will be advised to clear any pending RPO's and/or make any further necessary adjustments.
- g. The VA Forms 29-5954a work cards will be filed in a completed file. This file will be disposed of in accordance with Records Control Schedule VB-I after the monthly reconciliation.

## 20.07 CORRECTIONS OF PENDING TRANSACTIONS WITH INVALID DATA

When it is necessary to delete a pending transaction which contains invalid data and on which normal deletion input is rejected in run 130, the supervisor of the operating element involved will prepare a memorandum and send it to the MASU, requesting that the excess of 10 pending transactions procedure be used to delete the invalid pending item(s) existing on the case. A current RPO will be attached to the memorandum.

1986 SCHEDULE FOR RECONCILIATION OF UNASSOCIATED  
REMITTANCES AND EXCESS-OF-TEN PENDING  
TRANSACTION

1. ORGANIZATIONAL ELEMENTS AFFECTED: Insurance Operations Div. - VAROIC  
Finance Division - VAROIC  
Operations Division - VARDPC
2. REFERENCES: M29-1, Part II, Paragraphs 20.01 and 21.15
3. PURPOSE: To provide the 1986 schedule for the reconciliation of Unassociated remittances and excess-of-ten pending transactions.
4. PROCEDURE:
  - a. General:
    - (1) There will be a one-day cut-off for disposal vouchers for all Unassociated remittances and excess-of-ten items. There will be a two-day cut-off for establishments (receipts) for all Unassociated remittances and excess-of-ten items.
  - b. Detail:
    - (1) The Accounting Section will post the subsidiary ledgers through the disposal and establishment cut-off dates and the Miscellaneous Accounts and Service Unit will file establishments through the cut-off dates as reflected below before the reconciliation listing is made.

| <u>ESTABLISHMENT CUT-OFF</u> | <u>DISPOSAL CUT-OFF</u> | <u>RECONCILIATION</u>    |
|------------------------------|-------------------------|--------------------------|
| <u>1986 PDN</u>              | <u>1986</u>             | <u>1986 PDN AND DATE</u> |
| 029                          | 030                     | 031 (JAN. 31)            |
| 057                          | 058                     | 059 (FEB. 28)            |
| 086                          | 087                     | 090 (MAR. 31)            |
| 118                          | 119                     | 120 (APR. 30)            |
| 148                          | 149                     | 150 (MAY 30)             |
| 177                          | 178                     | 181 (JUNE 30)            |
| 210                          | 211                     | 212 (JULY 31)            |
| 239                          | 240                     | 241 (AUG. 29)            |
| 269                          | 272                     | 27~ (SEPT. 30)           |
| 302                          | 303                     | 304 (OCT. 31)            |
| 329                          | 330                     | 332 (NOV. 28)            |
| 363                          | 364                     | 365 (DEC. 31)            |

5. CONCURRENCE: The Director, Philadelphia Data Processing Center concurs.
6. RESCISSION: VAC Circular 29-84-5 is rescinded effective January 2, 1986.

ROBERT W CAREY  
Director

DISTRIBUTION:

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## CHAPTER 21. UNASSOCIATED TRANSACTIONS

### 21.01 GENERAL

- a. Unassociated transactions are routine collection items and deduction transactions which are not associated with a master record. The Philadelphia VA center will process and control all Unassociated establishments, discontinuance's and requests for distribution stemming from deduction-type accounts.
- b. An Unassociated item will result when any transaction fails to match a master record file prefix, file number, and name code.
- c. Unassociated transactions will be controlled and maintained in a punched-card file using VA Form 29-1675, Unassociated Transaction Control Card. The control file will be maintained in alphabetical order. A VA Form 29-1675a, Unassociated Transaction Work Card, will be used for searching, associating and identifying insurance records either on or off the system.
- d. Unassociated transactions will be received from the ADP [(automatic data processing)] system, interoffice transfers, Collections and Cashier Section and tl~ Policy Service Section. They will consist of VA Forms 29-1675 and 29-1675a with listing. The source of these Unassociated transactions will be indicated by the following card numbers:

| Card Number | Source of Unassociated Transaction                                                                 |
|-------------|----------------------------------------------------------------------------------------------------|
| 1           | ADP system                                                                                         |
| 2           | Interoffice transfer in                                                                            |
| 3           | Misc. (Collections and Cashier Section, Policy Service Section, or corrections to VA Form 29-1675) |

### 21.02 UNASSOCIATED TRANSACTIONS RECEIVED FROM THE ADP SYSTEM

- a. All Unassociated transactions will contain the same data as the original input document, except when the transaction did not meet edit requirements in run 130. A numeric reason code will replace the

name code field. These Unassociated transactions will not be rejected in run 130, but will be passed through run 140 and accompany regular Unassociated transactions from run 150. The numeric reason codes as shown in MP-6, part II, supplement No. 1.4, are inserted by run 130.

b. If multiple collection transactions in the 200 series match on file number, policy number and postmark date, they will be combined as a single transaction in run 130. The total of the combined amounts will be received as a single Unassociated transaction showing transaction type 209.

c. Documents received from the [Analysis and Control Section, DPC (data processing center), involving Unassociated transactions are as follows:

(1) VA Forms 29-1675 and 29-1675a with listings in alphabetical order. Unassociated transactions which did not meet run 130 edit requirements will be in terminal-digit order in front of the VA Forms 19-1675. The following transaction type series will be received:

- (a) Transaction types 100, 110 and 120.
- (b) Transaction type 114.
- (c) Transaction types 200 series, 300 and 302.
- (d) Transaction types 301, 303,304 and 305.

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*NOTE: The Philadelphia VA center will receive all the above transaction types. The St. Paul VA center will receive only the transaction types labeled 200 series, 300 and 302.*

(2) VA Forms [29-5886b, Insurance Record Printout] (RPO) reason code 985, matched with Unassociated transactions that matched a master record on file prefix and [ ] number but not on name code. The collection transaction type code will be shown to the left of the RPO reason code.

(3) Correspondence matched with an Unassociated transaction.

**21.03 INTEROFFICE TRANSFERS OF UNASSOCIATED TRANSACTIONS**

**a. Transferring Office**

(1) VA Forms 29-1675 and 29-1675a with attachments will be withdrawn from file and prepared for transfer at least every third day.

(2) An adding-machine tape will be prepared for each group of VA Forms 29-1675 and a separate tape for VA Forms 29-1675a, showing total of amounts **and** item count.

(3) Transmittal sheets will be prepared in duplicate. The transmittal sheet will include the total of amounts, item count, day number, and disposal code F. (See par. 21 .08e.) Indicate the office to which being transferred and from which transfer is being **made** by showing (Transfer to office code) TF (Transferred from office code). The codes are 7 for Philadelphia and 8 for St. Paul. Example: Transfer by St. Paul to Philadelphia will be shown on the transmittal sheet 7TF8.

(4) The VA Forms 29-1675 will have the disposed day number gang-punched in card columns 74-76 and disposal code F in card column 80. They will be sorted into alphabetical sequence by name code and a listing, in duplicate, made.

(5) The VA Forms 29-1675 will be reproduced into VA Forms [4]-367a, Collection and Payroll Deduction Card. The code for the office to which transferred will be punched in card column 80.

(6) The VA Forms [4]-367a will be interpreted and alphabetically listed in four copies. The totals of VA Forms 29-1675 and [4]-367a will be reconciled.

(7) The VA Forms 29-1675 will be filed in the Unassociated balance adjustment file.

(8) The VA Forms [4]-367 and attachments, original listing of VA Forms 29-1675, original and two copies of the VA Forms [4]-367a and the original transmittal sheet will be sent to the Finance [activity] - They will file the VA Forms 29-1675a with a copy of the listings of VA Forms 29-1675 and [4]-267a. They will post ledgers and forward VA Forms (4)-367a, 2 copies of listing, transmittal sheet and attachments to the transferred to office.

b. Transferred to Office.

(1) Upon receipt of the VA Forms [4]-367a, transmittal sheet with attachments and listing in duplicate, ledgers will be posted and VA Form [4] -1622, Transmittal List of Posting Media and Report of Distribution, prepared from the totals on the listing.

(2) The VA Forms [4]-367a, attachments, copy of listing and VA Form [4] -1622 will be inserted in a current day number.

*NOTE: VA Forms 29-1675 will be examined and, if in order, they will be included with the next group of Unassociated transactions being disposed of under disposal code H (via transfer to undistributed [insurance collections]).*

#### **21.04 UNASSOCIATED TRANSACTIONS RECEIVED FROM COLLECTIONS**

a. The Collections and Cashier Section will prepare VA Forms [4] -1638, Unidentified Remittance Acknowledgment, on unidentified and try number remittances. Any correspondence or pertinent material will be

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securely attached to the corresponding VA Form 29-1638. The VA Forms 29-1638 will be arranged Y alphabetically with no-name items in front of name items before preparing adding-machine tapes. A transmittal sheet will be prepared in duplicate.

b. The original copy of the transmittal sheet, prepared in the Collections and Cashier Section, will be used when sending VA Forms 29-1638, with attachments, to the Data Control Section, DPC. The transmittal sheet will include the current day number, total amounts and number of items. The duplicate transmittal sheet will be forwarded to the MASU.

c. Upon completion by the Data Control Section, the VA Forms 29-1638, transmittal sheet and attachments j will be returned to the Collections and Cashier Section until the daily deposit unit has been balanced. After balancing of the unit, the VA Forms 29-1638,

transmittal list and attachments will be sent to the MASU for matching with the daily unit of Unassociated transactions.

d. The Data Control Section will forward VA Forms 29-1675 and 29-1675a and listings for the daily unit to the MASU.

#### **21.05 TRANSACTIONS ASSOCIATED WITH THE WRONG MASTER RECORD**

a. The MASU will receive Unassociated transactions in memorandum form. These may be allotment/DFB or direct pay transactions that were associated with a wrong master record. (The MASU may also originate the memorandum.)

b. The memorandum, in triplicate, will explain the transaction with complete information to construct VA Forms 29-1675 and 29-1675a. Any input documents prepared to adjust the master record from which the transaction was removed will accompany the memorandum.

L ~ c. The memorandum will be reviewed for completeness and if in order, the notation Accepted By (date and signature of the reviewer) will be entered on the original.

d. The original of the memorandum will be sent to the Accounting Section.

e. Copy 1 of the memorandum, with a transmittal sheet, will be sent to the EAM activity, DPC, for constructing VA Forms 29-1675 and 29-1675a. The transmittal sheet should reflect the number of items, the amount of money, and card No. 3 indicating that the transaction is from a miscellaneous source. Copy 2 of the memorandum will be retained in the MASU until the documents processed by the EAM activity are returned.

f. The EAM activity will take the following action:

(1) Key punch and verify VA Forms 29-1675a from the information furnished on the memorandum.

(2) Reproduce VA Forms 29-1675a into 5081 stock.

(3) Reproduce 5081 cards into VA Forms 29-1675.

(4) Interpret the VA Forms 29-1675 and 29-1675a.

(5) Prepare listing of VA Forms 29-1675 in duplicate.

g. VA Forms 29-1675 and 29-1675a, with listing, transmittal sheet and memorandum will be sent to the MASU. The reproduced 5081 cards will be filed in the Unassociated transaction balance adjustment file in the EAM activity. Copy 1 of the memorandum will remain with the listing filed in the MASU. Copy 2 of the memorandum will be sent for filing in the insurance folder.

## 21.06 PROCESSING UNASSOCIATED TRANSACTIONS

v

a. The MASU will be responsible for insuring that all work groups received are in balance before processing any further.

b. When an Unassociated transaction is identified and the basic accounts record is located, process the item to conclusion by taking one of the following actions:

(1) [If the master record is on tape and no interfund transfer is required, prepare a VA Form 29-8526, Pending Transaction, transaction type 008, debiting control account 20 and crediting control account 16. When an interfund transfer is required debit control account 18 and credit control account 15. The funds will be identified when making this transfer. The input will be prepared showing a current callup date and without a freeze.]

(2) When the account is not on tape and the insurance folder is filed in the same office, it will be examined to determine the correct disposition of the Unassociated transactions. If the folder is not filed in the same office, a dictated letter will be prepared requesting the remitter to identify the reason for the remittance.

(3) (Deleted by change 6.)

•(4) When the Unassociated transactions activate a purged account by reinstatement or adjustment, input documents will be prepared to insert and update a master record.

(5) Take necessary refund action if the Unassociated transaction is subject to refund.

(6) Take necessary transfer action if it is determined that the Unassociated transaction belongs to another office.

c. When disposing of Unassociated transactions related to RH temporary master records, take the following actions: If no interfund transfer is required, VA Form 29-5895a, Pending Transaction Input Card, or VA Form 29-8526, Pending Transaction, transaction type 008, will be prepared debiting control account 20 and crediting control account 16. When interfund transfer is required, debit control account 18 and credit control account 15. The funds involved will be identified when making this transfer. Example: Money deposited to fund 1, debit fund 1, control account 18 and credit fund 3, control account 15. Also, VA Form 29-5893a, Premium Input, or VA Form 29-8523, Premium/TDIP, transaction type 013, will be prepared to update the temporary master record and VA Form 29-5895a, transaction type 098, to delete the 975 diary. B batch numbers will be used on the documents.

*NOTE: Unassociated transactions that are initial remittances and are identified with a record on tape (RH), will be inserted as transaction types 203 with status code 3 regardless of the transaction type received in the MASU.*

## 21.07 RECEIPT AND CONTROL OF UNASSOCIATED TRANSACTIONS

The following actions will be taken upon receipt of Unassociated transactions:

a. Verify listing totals representing Unassociated transactions from the ADP system with the Accounting Section.

b. Verify listing totals representing Unassociated transactions from all sources with the Accounting Section.

c. Copies of listings for all groups of work will be maintained in the Accounting Section and the MASU.

d. Any out-of-balance condition will be reconciled before that particular group of work is further processed.

e. Compare VA Forms 29-1675a with listing to assure that all items have been received.

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f. The remainder of the insured's name for Unassociated transactions for the ADP system will be secured from the collections input, corresponding envelopes or any other attachments.

g. The remainder of the insured's name will be printed in **the** space provided on the VA Form 29-1675a. If a run 130 reject reason appears in the name code field, line through the reason code and print the insured's full name. If the name is not available on the collections input cards, obtain the envelope and/or check the microfilm reel for the corresponding remittance.

h. Staple all related material to VA Form 29-1675a. Staples or clips will not be used on VA Form 29-1675.

i. File copy of alphabetical listing by day number in the MASU book.

j. The VA Forms 29-1675 will be interfiled with the existing alphabetic control file. Control cards will not be removed from file unless final action is being taken to dispose of the item or information is to be corrected by the EAM activity. All operating elements should request a search of the VA Form 29-1675 file whenever there is evidence of a missing remittance. VA Form 29-1556, Request for Remittance Information, will be used for this purpose.

Unassociated transactions misdirected and delivered to an office other than the one shown on the mailing envelope may be identified by the office code that appears in the appropriate area of the right side of the billing notice. Original collections notices matching Unassociated transactions will be reviewed and any with another office's mailing code will be processed for transfer.

| Code | Explanation         |
|------|---------------------|
| P    | Philadelphia center |
| S    | St. Paul center     |

### 21.08 IDENTIFICATION AND PROCESSING OF UNASSOCIATED TRANSACTIONS

a. VA Forms 29-1675a will serve as the processing documents through all steps necessary to identify the corresponding Unassociated transactions. Operating notations will be made on the VA Forms 29-1675a to any extent required.

b. Primary sources of identifying information are the collections input cards, mailing envelopes, microfilm of remittance, correspondence or other attachments and local and Central Office indexing facilities.

c. The RPO's received with the group of Unassociated transactions from the ADP system should first be reviewed. The RPO's identified with a 985 reason code and a collections transaction type mean a transaction matched on file prefix and file number, but not on name code. A review of all material may reveal that a name code change is the only correction necessary.

d. If an insured forwards a remittance under an incorrect file number or no file number, and the Unassociated transaction is positively identified with the correct file number, prepare and release VA Form 29-5813a, Notice-Correct Insurance File Number, as follows:

(1) The Insurance File Number block will be filled in.

(2) As appropriate, either the Incorrect File Number block or the No File Number block will be checked.

(3) The name and address of the insured will be printed on the address side of the card.

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e. When Unassociated transactions have been developed to where they require correction of original information or are ready for disposal, complete the appropriate blocks on VA Forms 29-1675 and 29-1675a. One **of** the following disposal codes will be used to indicate the action taken:

| Code | Explanation                                                                                                                                                                                                                                                                                         |
|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| E    | Miscellaneous-change <b>of fund</b> ; adding or correcting information on the Unassociated transaction, but unable to insert into the system; refund; or vouchered out to Unassociated Collections-Offsets Account.                                                                                 |
| F    | Interoffice Transfer (Out).                                                                                                                                                                                                                                                                         |
| G    | Disposed (via File Maintenance).                                                                                                                                                                                                                                                                    |
| H    | Disposed (via Transfer to Undistributed Insurance Collections). These would include corrections (including fund changes) to Unassociated transactions where the Unassociated item can be converted to a collections format to be reinserted into the system, except uncollectible remittance items. |
| I    | Disposed (Vouchered Outside the ADP System-to Premium, Loan, Lien, etc.).                                                                                                                                                                                                                           |

These disposal codes would include any correction, including fund change, and then follow through with another disposal code.

f. Assemble the various disposal groups of VA Forms 29-1675 and 29-1675a, and at least every third day prepare adding-machine tapes from VA Forms 29-1675 and 29-1675a for each group of work. When the adding machine tapes agree, prepare a transmittal sheet in duplicate for each group of work to include the disposal code, day number disposed, item count and total amount of money involved.

g. VA Forms 29-1675a, adding machine tapes, copy of transmittal sheet, and the related material will be retained. VA Forms 29-1675 and original of the transmittal sheet will be sent to the EAM activity for processing.

h. After the mechanical processing is completed, the original VA Forms 29-1675 will be filed in the Unassociated transaction balance adjustment file in the EAM activity.

i. The MASU will reconcile listings with transmittal sheets for all groups of work returned from the EAM activity.

j. The original of all listings and additional copies, where necessary, will be forwarded to the Accounting Section for posting to the intermediate ledgers. A copy of all listings will be filed by day number disposed and type of action in the MASU. VA Forms 29-1675a will be filed in the completed file.

k. Under the H disposal group, a listing of the VA Forms 29-1675, VA Forms 29-367a, Collection and Payroll Deduction Card, and listing for VA Forms 9-367a will be received. If in balance, prepare VA Form 24-1622, Transmittal Sheet, and forward it, together with VA Forms ~9-367a, all correspondence and related material, to the Collections and Cashier Section.

#### 21.09 REFUND OF UNASSOCIATED TRANSACTIONS

Unassociated transaction controlled on VA Form 29-1675 is subject to refund, the following action will be taken:

a. VA Form 24-706, Notice of Refund and Refund Work Sheet, will be prepared. A voucher number will be assigned and the worksheet noted to show that the amount being refunded is an Unassociated transaction.

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b. VA Forms 29-1675 and 29-1675a will be noted showing the **name of** the person to whom refund is being made, address and voucher number.

c. The day number disposed and disposal code E will be entered in the designated block of the VA Form 29-1675. The same notations will be made on the corresponding VA Form 29-1675a.

d. A transmittal sheet for disposal code E, clearly marked Refund of Unassociated Transactions, will be prepared.

e. The listings from the [DPC] EAM activity will be received, and if in balance, the voucher number will be noted on the listings. The original listing will be forwarded to the Accounting Section, the copy of the listing will be filed in the MASU, and VA Form 29-1675a will be filed in the completed file. Forward VA Form [4] -706 to the Voucher Audit [activity] for further processing.

f. If the Unassociated transaction was received after the date of death to repay a loan and/or lien, for an account purged from tape, prepare [the] appropriate voucher to transfer the payment from Unassociated Collections-Withdrawn or Applied to Matured Contracts Payable.

*NOTE: The Philadelphia and St. Paul VA centers will have occasion to make refund to a regional office. The same procedure as reflected above will be followed except SF 1081, Voucher and Schedule of Withdrawals and Credits, will be used in place of VA Form [41-706].*

## **21.10 PROCESSING VA FORMS 29-348, DEBIT SLIP-UNCOLLECTIBLE REMITTANCE**

a. When it is determined that an uncollectible remittance is under punched-card control as an Unassociated transaction, VA Form 29-348 will be prepared by the MASU. The uncollectible item and any related material will be mailed to the insured.

b. The VA Form **29-348**, and the VA Forms 29-1675 and 29-1675a will be processed as follows:

(1) Note VA Form 29-348, distributed to Unassociated collections.

(2) Note on VA Form 29-1675a the action taken. The day number disposed and disposal code H will be entered in the designated blocks on the corresponding VA Forms 29-1 675.

(3) A transmittal sheet for disposal code H will be prepared, clearly marked Uncollectible Remittance.

(4) Upon receipt of the listing and transmittal sheet, reconcile the balance. If in balance, file VA Forms 29-1675a in the completed file. File duplicate listing by day number order. The original listing and VA Forms 29-348 will be sent to the Accounting Section. The VA Form 29-1675 will be filed in the balance adjustment file in the [DPC] EAM activity.

## **21.11 PROCESSING UNASSOCIATED TRANSACTIONS WHEN THERE IS NO MASTER RECORD**

When there is no master record on tape and there is an Unassociated transaction properly identified, one of the following actions will be taken:

a. If the account was never converted to tape, a dictated letter will be prepared requesting the remitter to identify the reason for the remittance.

b. If a medical application is received with an Unassociated transaction, forward the application to the [Medical Determination] Section and note the VA Form 29-1675a accordingly. After [their action has been taken], the application will be returned to the MASU.

(1) If the application is acceptable, prepare the necessary input documents to insert the account on tape and effect reinstatement.

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(2) If the application is disapproved, take action to refund the Unassociated transaction.

c. If a reinstatement application or replacement application under 38 U.S.C. **781**, replacement of surrendered and expired insurance, is received with an Unassociated transaction, follow the appropriate procedure as outlined above.

d. If the Unassociated transaction involves a master record that was previously on tape and has been purged, record posting actions on the final RPO located in the insurance folder as reflected above. If the purged RPO is missing, make a search in the transaction history file for the final transaction. As an aid to locating the final transaction, the search request will include the approximate purge date developed from available records on hand. Secure a history lookup from the final transaction back to a point where status is verified, such as a prior RPO. From this information, enter the necessary data on a blank RPO to simulate a final purged RPO. Note the reconstructed RPO as to the reason this action was taken and retain in the

insurance folder in place of the missing RPO. Process the input documents under file maintenance procedure. Obtain a B batch number. The total amount of money representing the Unassociated transactions will be accounted for on the input documents. Debit Unassociated collections on the input documents, and credit the account to which the money is being applied. When Unassociated transactions are posted to purged RPO's, note the VA Forms 29-1675 and 29-1675a as to the action taken and prepare a transmittal sheet for disposal code G. Forward the input documents with the B batch card to the [Analysis and] Control Section to be included in the next processing day number. Forward the VA Forms 29-1675 to the [DPC] EAM activity with the transmittal sheet for processing. Upon return of the listing from the [DPC] EAM activity, note the B batch number on both copies of the listing.

*NOTE: The Philadelphia VA censer will prepare separate transmittal sheets involving Unassociated deduction transactions.*

## **21.12 PROCESSING NO NAME AND NO ADDRESS UNASSOCIATED TRANSACTIONS**

a. The procedure outlined in this paragraph is restricted to those Unassociated transactions which were forwarded from the Collections and Cashier Section with no name and no address.

b. Immediately upon return of the VA Forms 29-1675 control card file from the monthly reconciliation listing, withdraw all no name and no address VA Forms 29-1675 that are 3 or more months old. Select the corresponding VA Forms 29-1675a and process as follows:

(1) The VA Forms 29-1675 and 29-1675a will be noted with the disposal day number, disposal code E and the action taken.

(2) A transmittal sheet will be prepared reflecting tic item count, total amount of money, day number disposed, and disposal code E. Identify the transmittal sheet as being No name-No address items.

(3) Upon receipt of the listings, flu amounts will be reconciled. If in balance, note the listings Transfer of No Name and No Address Unassociated Transactions to Unassociated Collections-Offsets account.

(4) VA Forms 29-1675 will be filed in the Unassociated balance adjustment file in the [DPC] EAM activity. VA Forms 29-1675a will be filed in the completed file in the MASU. The original copy of the listing will be sent to the Accounting Section and the copy of the listing will be filed by disposal day number in the MASU.

## **21.13 TRANSFER OF ACTIVE UNASSOCIATED TRANSACTIONS TO INACTIVE**

a. When all possible action has been taken to identify an active Unassociated transaction, send the VA Form 29-1675a and all associated documents, with the exception of VA Form 29-1675, to the supervisor for review.

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b. Cases needing further development will be returned to the unapplied remittance clerk for appropriate

action.

c. Cases not requiring further development, [and after all actions have been taken, transfer the moneys to the General Fund Receipt Account 36X1060.J

d. [Destroy the posting media and all attachments.]

#### **21.14 PROCESSING UNASSOCIATED TRANSACTIONS (PHILADELPHIA CENTER ONLY)**

a. A 9A batch number will be assigned for all Unassociated transactions being reinserted for allotments, DFB, USGLI and K deduction transactions.

b. The VA Forms 29-1675 will be accumulated and released weekly as a single group. A transmittal sheet will be prepared to include item count, disposal day number, disposal code H, and the A batch number. No money amount will be shown, as allotment/DFB Unassociated establishments and discontinuance's are not money items.

c. Include allotment and DFB loan/lien Unassociated transactions that are identified with the regular VA Forms 29-1675 being inserted into ADP system as collections input items under disposal code II. These are money items.

d. When a request for distribution, transaction type 114, is received with a matching RPO, take the following action:

(1) Search in the Unassociated transaction file for a corresponding Unassociated deduction establishment and/or discontinuance.

(2) If an establishment and/or discontinuance is of record, file the VA Form 29-1675a in the completed file and dispose of the RPO. Dispose of VA Form 29-1675 with transaction type 114 under disposal code I. Where necessary, prepare VA Form 29-5923, Allotment/DFB Input Card to Run 160-ADP, to correct the deduction control record. Correct the VA Forms 29-1675 establishments and/or discontinuances where necessary and reinsert into run 130, and dispose under disposal code H.

(3) If an Unassociated deduction establishment and/or discontinuance is not of record, and after the reason for an Unassociated transaction type 114 is determined, correct the deduction control record accordingly. File the VA Form 29-1675a in the completed file. Dispose of the RPO. Dispose of the VA Form 29-1675 under disposal code I.

e. When a request for distribution, transaction type 114, is received without matching RPO, take the following actions:

(1) Identify the Unassociated transaction and review available insurance records to determine the reason for the Unassociated items.

(2) Search the Unassociated transaction file for corresponding Unassociated establishments and/or discontinuances.

(3) If the insurance account is in an active status, take necessary action to correct improper data or establish a master record. Process any matching establishment and/or discontinuance at the same time.

(4) If the insurance account is in an inactive status (death, cash surrender, lapse, etc.), and the deduction discontinuance is not of record, hold the Unassociated transaction type 114 until the discontinuance is received.

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(5) Any subsequent transaction type 114 received for the same account will replace the existing transaction type 114 item, which is disposed of under disposal code I.

(6) If the establishment and/or discontinuance is used to update a premium record card (off tape action), dispose of the Unassociated transaction under disposal code I.

(7) If the establishment and/or discontinuance is used to update a master record by reinserting into the system, dispose of the Unassociated transaction under disposal code H.

**21.15 RECONCILIATION**

a. The Unassociated transaction control file will be reconciled with the Accounting Section totals once a month. Each office will prepare its own reconciliation schedule and establish the cutoff dates for receipts and disposals.

b. The MASU will make certain that all work commenced before the cutoff dates will be completed and that all VA Forms 29-1675 and VA Forms 29-5954, Excess of 10 Pending Transaction Control Card, are in the respective files before starting reconciliation. The entire files of VA Form 29-1675 in alphabetical order and VA Forms 29-5954 in digit order will be sent to the EAM activity.

c. The EAM activity will list the VA Forms 29-1675 and 29-5954 in quadruplicate and return the files and two copies of the listings to the MASU. The original and one copy will be forwarded to the Accounting Section.

d. The MASU will file one copy of each listing in the respective files.

*NOTE: One copy of the listing of VA Forms 29-1675, in alphabetical order, will be forwarded to the St. Paul or Philadelphia VA center for informational purposes.*

**21.16 IDENTIFIED REMITTANCES FOR OTHER FUNDS DEPOSITED IN AN INSURANCE FUND OR APPROPRIATION**

a. The Unassociated Remittance activity will prepare SF 1017-G, Journal Voucher, annotated as ADJUSTMENT, in triplicate, for transfers between appropriation, fund and receipt accounts which affect only the accounts in the local station. When the accounts of another VA station or government agency are involved, SF 1081, Voucher and Schedule of Withdrawals and Credits, in original and seven copies, will be prepared.

b. The original and one copy of the SF 1017-G, or the original and six copies of the SF 1081 will be sent to the Accounting Section for certification and processing through the Unapplied Remittance control. The final copy of either form is held for control purposes. It will be replaced by a certified copy when returned from the Accounting Section.

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CHAPTER 22. TRANSFER OF RECORDS

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## CHAPTER 22. TRANSFER OF RECORDS

## 22.01 GENERAL

a. All requests for the permanent transfer of insurance records will be sent to the MASU (Miscellaneous Accounts and Service Unit) which will be responsible for the assembly, receipt and dispatch of records. If the transfer cannot be accomplished within a reasonable time, the requesting office will be advised by teletype or telephone of the reason for delay and the approximate date of transfer.

b. When priority processing is necessary in the transfer of insurance records, the request will be made by teletype or FTS (Federal Telecommunications System). All transfers of records will be shipped via airmail.

c. All applications for conversion, change of plan, RH insurance, etc., received in the St. Paul VA center indicating premiums are to be paid by allotment from service or retirement pay, deduction from VA benefits or employee payroll deduction, will be sent with the insurance records to the Philadelphia VA center. Before releasing the insurance records, the St. Paul VA center will acknowledge the application and inform the insured of the reason for the transfer. [ j

d. All pending actions if possible, will be completed before the transfer is made. Unprocessed applications [ j and other material on which action cannot be completed including an RPO ([ 1 VA Form 29-5886b, Insurance Record Printout) with pending transactions will be secured to the outside of the folder.

e. The Philadelphia VA center will retain all insurance records maintained by that office except when partial records located in the Philadelphia VA center are requested for active accounts under the jurisdiction of the St. Paul VA center.

## 22.02 AUTHORITY FOR TRANSFER OF RECORDS

a. The St. Paul VA center will transfer insurance records to the Philadelphia VA center upon receipt of the following:

- (l) Acceptable authorization for deduction from benefit payments. ( j

- (2) Address changes received that will identify the insurance records as Philippine accounts.
- (3) Evidence of establishment of allotment from service or retirement pay. [ j
- (4) Evidence that the account has been placed on employer payroll deduction plan.
- (5) Evidence that the policyholder has active USGLI K insurance.

*NOTE: If the insured has less than \$10,000 NSLI in force and a K number is shown, request the Philadelphia VA center to furnish status of the USGLI account. If they report the K insurance as being inactive, do not transfer the NSLI records.*

(6) Teletype or telephone message originated by the Philadelphia VA center furnishing a valid reason for transfer.

b. On rare occasions and under unusual conditions when good judgment dictates that the transfer of records should be made, the Director of the VA center can authorize such transfer. A letter signed by the Director, explaining the reason for transfer, will be sent with the records.

c. On a split case when both the husband and wife carry National Service Life Insurance and one account is in the Philadelphia VA center and the other is in the St. Paul VA center, the address for insurance purposes will govern the jurisdiction for the retention or transfer of the insurance records. If one of the accounts should be other than direct pay (allotment, deduction from benefit payments, payroll deduction, retirement pay), the St. Paul VA center will transfer its records to the Philadelphia VA center regardless of billing address. In addition, if one of the accounts is an active USGLI account, the records will be transferred to the Philadelphia VA center.

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### 22.03 PROCESSING TRANSFER OF RECORDS

a. VA Form 29~97, Request for Transfer of Insurance Records, will be used to initiate action to create the necessary file maintenance transactions to delete the master record in the transferring office and insert the master record in the receiving office.

b. The delete transactions will show TV batch numbers, and insert transactions will show RV batch numbers on the transaction history lists. The transactions will also be identified by these batch numbers on the general ledger total list.

c. The VA Form 29A97 will be completed by the MASU as outlined in MP-6, part II, supplement No. 2.1, section 108.00.

d. If the reason for transfer is the receipt of an acceptable authorization for deduction from benefit payments, evidence of establishment of allotment from service or retirement pay or payroll deduction plan, VA Form 29-5892a, Policy Input Card, will be prepared to establish a freeze and a 951 callup 90 or 120 days after the current date.

e. If the deductions are for a loan payment only, a VA Form 29-5895a, Pending Transaction Input [Card-ADP j (instead of VA Form 29-5892a), will be prepared to insert a nonfreeze diary message LOAN

PAYMENT with a 953 callup. The diary period will be 120 days for allotment and service retirement pay and 90 days for payroll and DFB accounts.

f. The VA Form 29A97 and other clerically prepared input will be sent to the (Analysis and Control Section, data processing center.

g. An RPO reason code TRD to (OFFICE) will be received in the MASU when the VA Form 29-497 has been accepted by the system. When this RPO is received, it will be attached to the outside of the folder. A second RPO with reason code TV will be received indicating that the master record has been deleted. This RPO will be filed in the folder.

h. An RPO reason code 988 will be generated when there is no match on the name code. A corrected VA Form 29A97 will be prepared.

i. When the file maintenance transaction to delete the master record is rejected, an RPO reason code 99A and rejected card(s) will be generated. The clerk will prepare the necessary input documents, using TB batch numbers in accordance with existing instructions, except that the control accounts will be as follows:

| Account Number | Title                     | Account Debit | Account Credit |
|----------------|---------------------------|---------------|----------------|
| 6112           | Loan                      | 62            | 01             |
| 6131           | Lien                      | 64            | 05             |
| 6212           | Dividend Credits/Deposits | 10            | 66             |
| 6214           | Unapplied Collections     | 14            | 70             |
| 6419           | Face Amount               | 51            | 68             |

*NOTE: If clerically prepared input is processed to delete the master record, a TV RPO will not be received. (RPO reason code DLT will be generated.) When the DLT RPO is received, action will be taken to transfer the records. When clerically prepared input is required to delete the master record (TB batch number), the records for transfer will be routed through the Accounting Section, Finance [activity].*

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j. A temporary master record cannot be transferred tape-to-tape. The clerk will prepare the following inputs to delete the temporary master record:

(1) VA Form 29-5895a, transaction type 008, will be prepared to insert the diary message PENDING IN ARU. This will cause the system to delete all of the pending transactions.

(2) A VA Form 29-5895a, transaction type 098, will be prepared to delete the diary message.

(3) A VA Form 29-5897a, Accounting Control Input, transaction type 099 (reason code 07), will be prepared to delete the temporary master record. A DLT reason code RPO will be received.

(4) The pending transaction items will be received in the MASU and will consist of VA Forms 29-5954, Excess of 10 Pending Transaction Control Card, VA Forms 29-5954a, Excess of 10 Pending Transaction Work Card, and a listing in terminal digit order by insurance file number. Totals of the listing will be verified with the Accounting Section, Finance and Data Processing Division. The listing will be filed in the MASU by day number order.

(5) The VA Forms 29-5954, both money and non money items, and the transmittal sheet will be sent to the data processing center for gang-punching the DN (day number) disposed and disposal code F. A three-part listing of the cards will be prepared.

(6) Upon receipt of the listings, transmittal sheet, new VA Form 29-5954 and corresponding 5081 (stock cards), the totals on the listing and transmittal sheet will be verified. The original copy of the listing will be noted disposal code F and forwarded to the Accounting Section, Finance and Data Processing Division. Copy 1 of the listing will be noted with batch number TRB and filed in MASU by disposal day number order. Copy 2 of the listing will be cut after each file number and attached around the corresponding VA Forms 29-5954, 29-5954a, and 5081 cards.

(7) This type of transfer of records will be routed through the Accounting Section, Finance and Data \$ Processing Division.

k. Prior to the transfer of any record, a search will be made for the following items which will be included in the transfer of records:

(1) Check the excess of 10 pending transactions, off-tape lien, liability and finance indebtedness files.

(2) Check for any Unassociated remittance which will be transferred under separate cover as outlined in chapter 21 of this manual.

l. The insurance folder and premium record cards will be requested and the following action taken:

(1) Prepare VA Form 07-7216, Request for and/or Notice of Transfer of Veterans Records, in quintuplet as follows:

(a) Item 1-Station name and number to which records are being transferred

(b) Items 2 through 7-Leave blank

(c) Item 8-File number

(d) Item 9A-Last name of insured

(e) Item 9B-First name of insured

(f) Item 9C-Middle initial or name

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(g) Item 10-Type of folder

(h) Item 11-Type of transfer

(i) Item 12-Reason for transfer

- (j) Items 13A through 13D-Leave blank
- (k) Item 14-Remarks (items included in transfer)
- (l) Items 15 and 16-Leave blank
- (m) Item 17-Name of originating office and station number
- (n) Item 18-Date form prepared.

*NOTE: Four copies of VA Form Q4-721 6 will be attached to the folder and one copy retained in the MASU.*

(2) A VA Form Q~7264, Dummy Index Card, will be completed as follows:

- (a) Insured's full name
- (b) File number
- (c) Social security number
- (d) Other identifying numbers
- (e) Transferred to

(3) A 10" x 15" plain manila envelope (transfer envelope) will be prepared. This will be a locally overprinted envelope with captions for the file number, insured's name and the address of the VA center to which the records are being transferred. The clerk will enter the insurance file number and the name of the insured.

(4) When the payment of premiums will be by deduction from benefit payments, allotment from service pay, service retirement pay or payroll deductions, a VA Form 29-5783, Notice of Transfer of National Service Life

*J* Insurance Records, will be released to the insured. For all other types of accounts, the insured will be notified by letter.

(5) When an application is received, such as conversion, change of plan, etc., and premiums are to be paid by allotment from service or retirement pay, deduction from VA benefits or payroll deduction, the application will be acknowledged and the veteran told of the reason for the transfer of records. This will be accomplished by a locally overprinted letter and released at the time of transfer by the MASU.

#### 22.04 PROCESSING BY THE RECEIVING OFFICE

a. When the tape-to-tape transfer or a clerical insert of a master record has been accomplished, the MASU will receive an RPO with reason code RV. The RV RPO will be held until the folder and associated records are received from the transferring office. When the records are received, the information contained on the RV and TV or DLT RPO's will be reviewed. If the master record was properly transferred, file the RPO's in the insurance folder.

b. When the input to insert the master record in the receiving office is rejected, an RPO with reason code 99A-XFTTR will be received. This will indicate a duplicate master record. When this occurs, request the transferring office to furnish a complete transaction history print and a record of the dividend payments made prior to 1964. When the TV RPO and records are received, a complete review will be made to adjust the master record. Adjustment of control accounts will be made by a memorandum to the Finance and Data Processing Division.

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c. The Philadelphia office will receive a copy of the general ledger totals list for each office. This list will be used-by the Finance and Data Processing Division to reconcile all transfer actions.

d. When an account on which deduction is to be made from VA benefits is received, VA Form 29-5~26, Request for DFB Action, will be prepared for release to the Hines DPC, and VA Form 29-5707, Acknowledgment-Request for Deduction From Benefit Payments, will be prepared and sent to the insured.

#### 22.05 TEMPORARY TRANSFER OF RECORDS

Procedures covering temporary transfer of insurance records are outlined in MP I, part I, chapter 14, paragraph 14.13.



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## CHAPTER 23. INCOMPETENT AND GUARDIANSHIP CASES

### 23.01 GENERAL

a. An incompetent person is one who has been adjudged by a court or held by a rating agency of the VA as

being incapable of managing his own affairs.

b. An incompetent person does not necessarily have a guardian, but for insurance purposes those who have guardians may be deemed incompetent.

c. The Chief Attorney may authorize the payment of dividends or refunds to veterans rated incompetent if he feels that they can handle the amount payable with reasonable prudence.

### 23.02 FIDUCIARIES APPOINTED BY COURT ORDER

Legal guardians are responsible for the care and management of the person, or the estate of one legally considered incapable of managing his own affairs. They are appointed by a State court and certified as payee by the Chief Attorney. Depending on the State law, they are designated as:

- a. Guardian.
- b. Conservator.
- c. Curator or Tutor.
- d. Committee.
- e. Trustee.

### 23.03 FEDERAL FIDUCIARIES

a. Federal fiduciaries are constituted under Federal law and empowered to administer only VA benefits and are accountable solely to the VA.

b. Federal fiduciaries are recognized by the Chief Attorney and are certified to receive certain payments and take certain actions on behalf of insureds for insurance purposes. They are designated as:

- (1) Legal custodian.

- (2) Wife-payee.
- (3) Chief officer of an institution.
- (4) Bonded officer of an Indian reservation.
- (5) Custodian-in-fact.

#### **23.04 REQUEST FOR INFORMATION, APPOINTMENT OR DISCHARGE OF FIDUCIARY**

a. When a question arises as to the competence of the veteran, a VA Form 29-505, Request for Information, will be sent to the Adjudication Officer.

b. If the question concerns the appointment or discharge of a fiduciary, the same form will be released to the Chief Attorney.

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c. When asking for a fiduciary to be appointed so that a disbursement may be made, the following notation will be inserted in the blank block of item 9 of the form. **AUTHORITY TO REFUND IF NO FIDUCIARY TO BE APPOINTED AT THIS TIME.**

d. When an inquiry is to be made to the Chief Attorney, care will be taken to make sure that the request is directed to the proper Chief Attorney. The following guidelines will be used:

(1) If the payee is a custodian, the request will be directed to the Chief Attorney in the area where the custodian resides.

(2) If the payee is a court-appointed fiduciary, the request will be directed to the Chief Attorney in which the appointing court is located.

(3) If the payee is a wife-payee-to the Chief Attorney where the wife resides.

(4) If there is an institutional award and there is no guardian-to the Chief Attorney of the area in which the institution is located.

(5) If the payee is a foreign fiduciary-to the Chief Attorney, Veterans Benefits Office, Washington, D.C.

*NOTE: Where the necessary fiduciary information is not received within 90 days from the date of request, the case will be referred to the Insurance Officer for such further action as he deems necessary.*

#### **23.05 ACCEPTABLE FORMS SHOWING INCOMPETENCY, APPOINTMENT OR DISCHARGE OF FIDUCIARY**

a. The following forms are acceptable sources of incompetency or fiduciary information. Receipt of any of these or information contained in a letter and signed by the Chief Attorney are acceptable for recording on and/or deleting from the master record.

(1) VA Form 294347, Notification of Rating of Competency or Incompetency of Veteran, or of Appointment, Recognition, Change or Discharge of Fiduciary.

(2) VA Form 274358, Request by Chief Attorney for Insurance Information.

(3) VA Form 29-505, Request for Information.

(4) VA Form 27-555, Certificate of Legal Capacity to Receive and Disburse Benefits.

b. Letters of administration or copies of court orders received from fiduciaries, service organizations, etc., are not an acceptable basis for entry of the fiduciary information on the insurance master record. VA Form 29-505 will be prepared in these instances and forwarded with copies of the letters of administration, court orders or any other pertinent information to the Chief Attorney having jurisdiction, for confirmation. Fiduciary information will not be recorded on the basis of letters of administration or court orders until confirmed by the Chief Attorney.

### **23.06 INSERTING FIDUCIARY INFORMATION ON THE MASTER RECORD**

a. When information concerning competency, appointment or discharge of fiduciary is received on the forms

listed in paragraph 23.05a, the following action will be taken:

(1) If the notice received states that the insured has been rated incompetent, but does not state that a fiduciary has been appointed, VA Form 29-5896a, Life Input, or VA Form 29-8530, Life/Miscellaneous,

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transaction type 080, will be prepared to turn on the Incompetent indicator, and VA Form 29-5895a, Pending Transaction Input, transaction type 008, will be prepared to insert a 90 day diary with the message FID INFO and to freeze the record.

(2) If the notice states that the insured has been rated incompetent and a guardian or fiduciary has been appointed, a VA Form 29-5896a or 29-8530, transaction type 080, will be prepared to turn on the Incompetent and Guardian Appointed indicators.

(3) Whenever an input document is prepared to turn the Guardian Appointed indicator on or off, both VA Form 29-5896a, Life Input, and VA Form 29-5891a, Address or Trailer Input, are required.

b. VA Form 29-5891a, transaction type 081, will be prepared to insert the name and address of the guardian as follows:

(1) If the fiduciary is a legal guardian as listed in paragraph 23.02, enter the name on the master record as JOHN SMITH GUARDIAN OF.

(2) In information received shows a Federal Fiduciary as listed in paragraph 23.03b, the name on the master record will be entered as follows:

(a) If custodian, JOHN SMITH CUSTODIAN OF.

(b) If wife-payee, MRS. MARY SMITH-WIFE-PAYEE OF.

(c) If Director, VA Hospital, DIRECTOR VA HOSPITAL CUSTODIAN OF.

c. Whenever fiduciary information is recorded or changed on the master record, and there is a 712 or 748 waiver in force or pending, forward the information to the Insurance Claims Section.

d. When a form or letter signed by the [Veterans Services Officer] is received showing discharge of fiduciary or rating of competency, prepare the necessary input to change the master record. Insert the latest address of record for the insured. Release VA Form 29-505 to the regional office for a better address or additional fiduciary information when necessary.

### **23.07 DISBURSEMENT TO INCOMPETENT INSUREDS**

a. Refunds of less than [\$250] may be made on the basis of the latest fiduciary information of record. The computer system will automatically disburse payments to the legal guardian of an incompetent policyholder if the amount is less than [\$250] and is not a Philippine account. The refund may be initiated without contacting the [Veterans Services Officer] providing guardianship is indicated on the master record, or one of the forms listed in paragraph 23.05a confirming guardianship is filed in the insurance folder.

b. When the dividend or refund for less than [\$250] has been authorized, the computer system will generate an RPO, reason code 672. The policy service clerk will prepare a VA Form 29-504, Notice of Payment Due Incompetent Veteran, and forward it to the [Veterans Services Officer].

*NOTE: A VA Form 29-504 will not be sent to the [Veterans Services Officer] if the fiduciary is a court-appointed guardian.*

c. Refunds of [\$250] or more due an incompetent veteran will not be made until a current VA Form 27-555 or other certification by letter authorizing the specific pending action is received from the appropriate Veterans Services Officer. A current certification is one that is not over 6 months old. A VA Form 29-505 will be used to request such a certification.

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d. After a current certification is received, the policy service clerk will prepare a VA Form 4-706, Notice of Refund, to authorize the payment.

*NOTE: Refunds, regardless of the amount, on Philippine accounts must be addressed to the guardian in care of the [Veterans Services Officer, VA Regional Office, Manila, Philippines.*

### **23.08 PENDING ACTIONS WHERE A QUESTION OF COMPETENCY EXISTS**

a. When a question of competency is involved and there is a pending action, the case will be referred by a memorandum to the Insurance Claims Section for a decision.

b. The memorandum should include the type and amount of the pending disbursement or the nature of the application and the amount involved.

c. The insurance folder, current RPO and other pertinent material will accompany the memorandum.

d. The following examples are provided to help determine whether a memorandum should be prepared to obtain a competency decision:

(1) Examples of medical terms which do not indicate incompetency:

- (a) Psycho neurosis.
- (b) Anxiety reaction.
- (c) Psycho physiological reaction.
- (d) Personality disorder.
- (e) Depressive action.
- (f) Reactive depression.

(2) Examples of medical terms which indicate possible incompetency:

- (a) Psychosis or psychotic reaction.
- (b) Chronic brain syndrome.
- (c) Mental deficiency.
- (d) Schizophrenic reaction (dementia praecox).
- (e) Paranoid state.
- (f) Fugue state.

**23.09 PROCESSING VA FORM 27-4358, REQUEST BY CHIEF ATTORNEY FOR INSURANCE INFORMATION**

a. When VA Form 274358 is received in the Insurance Division, the policy service clerk will compare the name and address of the guardian or fiduciary with the one on the current RPO.

b. If different, VA Form 29-5891a, transaction type 081, will be prepared.

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536887

May 12, 1980

(2) Examples of medical terms which indicate possible incompetency:

- (a) Psychosis or psychotic reaction.
- (b) Chronic brain syndrome.

- (c) Mental deficiency.
- (d) Schizophrenic reaction (dementia praecox).
- (e) Paranoid state.
- (f) Fugue state.

**23.09 PROCESSING VA FORM 27-4358, REQUEST BY DISTRICT COUNSEL FOR INSURANCE INFORMATION**

- a. When VA Form 274358 is received in the Insurance Division, the Policy Service technician will compare the name and address of the guardian or fiduciary with the one on the current RPO.
- b. If different, VA Form 29-5891a, transaction type 081, will be prepared.
- c. When there is no record of an application for section 712 or 748 waiver, part II of VA Form 274358, items 15 ~ through 22, will be completed and the original returned to the inquiring office. The duplicate or photocopy of the completed form will be filed in the insurance folder.
- d. If the insurance record shows an active section 712 or 748 waiver, or that there is an application for waiver, or that the waiver was terminated or disallowed, send the folder, RPO and VA Form 27-4358 to the Disability Determination Unit.

**23.10 PROCESSING VA FORM 29-178, REQUEST FOR INSURANCE STATUS**

a. When a VA Form 29-178 is received in duplicate from the Director of a VA [medical center] or VSO on behalf of an incompetent veteran, for information as to whether a claim for waiver of premiums or disability insurance benefits is of record or with the intent to file such claim if one has not already been filed, the form will be processed as follows:

- (1) An RPO and the insurance folder will be requested.
- (2) Upon receipt of all necessary records, parts II and III of the form will be completed.
- (3) **If** an application for RH insurance is pending at the time, this information will be entered in [item] 13. The first block will be checked and RH Pending will be entered. The existing wording will be deleted.

-If a claim for waiver has been denied or is pending, send the case to the Insurance Claims Section which will supply the necessary information and file the duplicate in the [ j insurance [ ] folder.

(5)1 When the VA Form 29-178 is submitted in duplicate for the purpose of developing information for filing a claim for disability insurance benefits, take action as follows:

- (a) arts II and III will be completed and the original copy will be returned to the originating office.
- (b) The duplicate VA Form 29-178 will be filed in the insurance folder.

### **23.11 PROCESSING OF CORRESPONDENCE**

a. Inquiries submitted by a fiduciary of record, previously certified by a VSO, are routinely answered. If the inquiry by an alleged fiduciary is for information of a confidential nature not usually released to a third party, such as a beneficiary of record, it is acknowledged without supplying detailed information. The VSO will be requested to furnish a certification of the alleged appointment. A diary will be established on the master record to assure adequate followup. A complete answer will be furnished upon certification of the fiduciary.

b. Inquiries submitted by an incompetent veteran are diared for a subsequent reply. A VA Form 29-505 will be sent to the VSO requesting an appointment and/or certification of a fiduciary. When a fiduciary is already of record, or when certification is received, reply to the fiduciary. A photocopy of the incompetent veteran's inquiry will be furnished to the fiduciary.

c. Lapse notices are not released by the system when the master record indicates incompetency, guardianship or both. Instead, an RPO, reason code 570, is generated. If in order, a dictated lapse letter may be released. This will advise the fiduciary that though he or she may not reinstate the insurance, a reinstatement signed by the insured will be considered if supported by medical evidence of the veteran's capacity to understand the nature of his or her act. A similar response will be directed, when in order, to answer inquiries from a guardian regarding reinstatement.

### **[23.12 SUPERVISED DIRECT PAY**

a. Veterans on SDP (Supervised Direct Pay) are grouped into two categories:

(1) The first category is known as "temporary supervised direct pay" and includes individuals who receive only a portion of their compensation checks while being closely monitored by Veterans Services personnel. They remain in this category up to 4 months. After the 4-month period, a decision must be made whether to place them on permanent direct pay status or reappoint a fiduciary.

(2) The second category is known as "permanent SDP" and includes individuals who have displayed a sufficient degree of prudence in handling their own affairs with only a minimum of supervision.

b. Although a veteran has to display sufficient signs of improvement to be considered for SDP, he/she is still considered to be incompetent.

c. When information is received that a veteran has been placed on SDP, the Policy Service technicians should prepare input to change the name and address fields and remove the guardian-appointed indicator from the master record. They should *not* remove the incompetency bit (see par. 23.06a(3)).

d. The Policy Service technician should correspond directly with these insureds in matters related to insurance, however, the insurance folder should be flashed that the insured is on SDP and copies of all correspondence should be sent to the VSO of jurisdiction.

e. If an insured requests a loan or makes application for cash surrender, the Policy Service technician should refer the request to the Insurance Claims Section (297) for a determination of competency.

f. If a VA Form 29-336, Designation of Beneficiary and Optional Settlement, is received from the insured, the procedure outlined in chapter 15, paragraph 15.06, will be followed.]

**23-6**

| <u>GENERAL LEDGER</u><br><u>ACCOUNT NUMBER</u><br><u>NUMBER</u> | <u>NAME</u>                               | <u>NSLI</u> | <u>DIVIDEND CONTROL</u><br><u>ACCOUNT</u> |
|-----------------------------------------------------------------|-------------------------------------------|-------------|-------------------------------------------|
| 4383                                                            | 1983 V Regular Annual                     |             | 47                                        |
| 4383.3                                                          | 1983 V Regular Annual -01P                |             | 48                                        |
| 4583                                                            | 1983 Regular Annual (Except V)            |             | 47                                        |
| 4583.3                                                          | 1983 Regular Annual - 01P<br>(Except V)   |             | 48                                        |
| 4384                                                            | 1984 V Regular Annual                     |             | 49                                        |
| 4384.3                                                          | 1984 V Regular Annual - 01P               |             | 50                                        |
| 4584                                                            | 1984 Regular Annual (Except V)            |             | 49                                        |
| 4584.3                                                          | 1984 Regular Annual - 01P<br>(Except V)   |             | 50                                        |
| 4351                                                            | Dividends - Settlement<br>(All Funds)     |             | 43                                        |
| 4351.3                                                          | Dividends Settlement - 01P<br>(All Funds) |             | 44                                        |

- b. In order to prevent cross actions, all punched card inputs using the existing dividend control account numbers must be delivered to the Input/Output Section, DPC, by c.o.b. December 23, 1983. OCR documents using the existing dividend control account numbers must be inserted by c.o.b. December 28, 1983. The revised dividend control account numbers will be used on all inputs commencing December 30, 1983.

5. CONCURRENCE: The Director, Philadelphia Data Processing Center concurs.
6. RESCISSION: VAC Circular 29-82-9 is rescinded effective December 30, 1983.

Director

DISTRIBUTION:

A-1  
D-1  
E- 1-2-3-5  
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5-1-2  
T-1

VA Regional Office and Insurance Center  
Philadelphia, PA December 27, 1983

Circular 29-83-5

DIVIDEND CONTROL ACCOUNT NUMBERS

I. ORGANIZATIONAL ELEMENTS AFFECTED: Insurance Operations Div. -  
VAROIC

Finance Division - VAROIC  
Operations Division - VARDPC  
Analysis and Control Div. - VARDPC

2. REFERENCE: N29-1, Part II, Chapter 24

3. PURPOSE: To confirm the necessary changes in the Dividend Control Account Numbers due to the payment of the 1984 dividends.

4. PROCEDURE:

- a. Effective December 30, 1983, PDN 364/83, the dividend control account numbers will be changed as shown below:

NSLI

| <u>GENERAL LEDGER<br/>ACCOUNT NUMBER</u> | <u>NAME</u>                                            | <u>DIVIDEND CONTROL<br/>ACCOUNT NUMBER</u> |
|------------------------------------------|--------------------------------------------------------|--------------------------------------------|
| 4331                                     | Special and Regular Annual<br>1948/1982 (V only)       | 45                                         |
| 4331.3                                   | Special and Regular Annual<br>1948/1982 - O/P (V only) | 46                                         |
| 4531                                     | 1975/1982 Regular Annual<br>(Except V)                 | 45                                         |
| 4531.3                                   | 1975/1982 Regular Annual -<br>O/P (Except V)           | 46                                         |

USGLI

|        |                                               |    |
|--------|-----------------------------------------------|----|
| 4332   | Special and Regular Annual<br>1921/1984       | 45 |
| 4332.3 | Special and Regular Annual<br>1921/1984 - O/P | 46 |

M29-1, Part II  
Advance Manual Change No. 3-85

August 21, 1985

Chapter 24. Control Accounts

- A. Change: M29-1, Part II, Chapter 24. This advance manual change is issued to update the general ledger control accounting required to accomplish an inter-fund transfer of an amount or payment previously applied to premium.
- B. Procedure: Page 24-37, amend paragraph 24.07 as follows:

(1) Subparagraph 24.07(6), line 4 - Delete "or an amount of payment previously applied is being withdrawn and".

(2) Subparagraph 24.07(6)(c) - Under the Control Accounts Entries column, change DR 1-(31) to read DR 1-(34).

C. New or Revised  
Insurance Forms: None

PAUL F. KOONS  
Acting Assistant Director for Insurance

**DISTRIBUTION:**

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| C0/311D     | 2   |

Regional  
VA Office and Insurance Center  
Philadelphia, PA

Circular 29-87-6  
**December 14, 1987**

**DIVIDEND CONTROL ACCOUNT NUMBERS**

1. ORGANIZATIONAL ELEMENTS AFFECTED:  
**VAROIC** Insurance Operations Div. -  
Finance Division - VAROIC  
Operations Division - VARDPC  
**VARDPC** Analysis and Control Div. -

2. REFERENCES: M29-I, Part II, Chapter 24

3. PURPOSE: To confirm the necessary changes in the Dividend Control Account Numbers due to the payment of the 1988 dividends.

4. PROCEDURE:

a. Effective December 28, 1987, PDN 362/87, the dividend control account numbers will be change as shown below:

NSLI

GENERAL LEDGER  
ACCOUNT NUMBER

NAME

DIVIDEND CONTROL  
ACCOUNT NUMBER

|        |                                                        |    |
|--------|--------------------------------------------------------|----|
| 4331   | Special and Regular Annual<br>1948/1986 (V only)       | 45 |
| 4331.3 | Special and Regular Annual<br>1948/1986 - O/P (V only) | 46 |
| 4531   | 1975/1986 Regular Annual<br>(Except V)                 | 45 |
| 4531.3 | 1975/1986 Regular Annual -<br>O/P (Except V)           | 46 |

USGLI

|        |                                               |    |
|--------|-----------------------------------------------|----|
| 4332   | Special and Regular Annual<br>1921/1988       | 45 |
| 4332.3 | Special and Regular Annual<br>1921/1988 - O/P | 46 |

NSLI

| GENERAL LEDGER<br>CONTROL<br><u>ACCOUNT NUMBER</u><br><u>NUMBER</u> | <u>NAME</u>                                 | DIVIDEND<br><u>ACCOUNT</u> |
|---------------------------------------------------------------------|---------------------------------------------|----------------------------|
| 4387                                                                | 1987 V Regular Annual                       | 47                         |
| 4387.3                                                              | 1987 V Regular Annual - O/P                 | 48                         |
| 4587                                                                | 1987 Regular Annual (Except V)              | 47                         |
| 4587.3                                                              | 1987 Regular Annual - O/P<br>(Except V)     | 48                         |
| 4388                                                                | 1988 V Regular Annual                       | 49                         |
| 4388.3                                                              | 1988 V Regular Annual - O/P                 | 50                         |
| 4588                                                                | 1988 Regular Annual (Except V)              | 49                         |
| 4588.3                                                              | 1988 Regular Annual - O/P<br>(Except V)     | 50                         |
| 4351                                                                | Dividends - Settlement<br>(All Funds)       | 43                         |
| 4351.3                                                              | Dividends - Settlement - O/P<br>(All Funds) | 44                         |

- b. In order to prevent cross actions, all clerical input transactions using the existing dividend control account numbers must be inputted into the system (Run 140) by c.o.b.

December 23, 1987. The revised dividend control account numbers will be used on all dividend control transactions commencing December 24, 1987.

5. CONCURRENCE: The Director, Philadelphia Data Processing Center concurs.
6. RESCISSION: VAC Circular 29-86-3 is rescinded effective December 28, 1987.

ROBERT W. CAREY

Director

DISTRIBUTION:  
A-1  
D-1  
D-1 -2-3-5  
~ F-1-2-3-6-8-12-15-21-22-26-29-33  
~ R-2-5  
5-1-2  
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May 10, 1971

M29-I, Part I  
Change

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### CHAPTER 24. CONTROL ACCOUNTS

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*q*

**May 10,1971**

M29-I, Part I

CHAPTER 24. CONTROL ACCOUNTS

**Change I**

24.01 GENERAL

a. The purpose of this chapter is to outline the various internal and external controls which are used in the ADP system. These controls are provided to insure that all transactions (both externally initiated and internally generated) which affect the master

record tape files are properly processed and accounted for from the time they are initially placed under control until final processing is completed.

b. Cash collection transactions (direct remittance and allotment/DFB loan-lien repayments) are controlled in the ADP system using predetermined item count and money amount totals.

c. Certain file maintenance transactions are also controlled outside the ADP system using general ledger debit and credit postings accumulated in run **140**.

d. Amounts which involve these accounts are initially posted outside the system as debits and credits to the general ledgers from various accounting control documents and listings. Input cards with contra debit and credit postings are prepared and processed in run **140** where the amounts are accumulated for posting to the general ledgers which offset the controlling amounts posted outside the system.

#### 24.02 GENERAL LEDGER ACCOUNTING-ADP SYSTEM

a. General ledger account totals are accumulated by funds and appropriation by the ADP system for posting to the general ledgers. On cash collection transactions and internally generated transactions, the general ledger account totals are accumulated automatically by the program according to the transaction types. On clerically prepared file maintenance transactions, the totals are accumulated according to the accounts and amounts debited and credited in the control account section of the input document. Generally, interfund and intrafund transfers are accomplished automatically by the system when only on-tape records are involved. When on-tape and off-tape records are involved in the accounting, VA Form **9--610**, Transfer Worksheet, or VA FL **29-652**, / Off-Tape Adjustment of General Ledger Accounts, must be prepared outside the system to effect the transfer.

b. On clerically prepared file maintenance input documents, the general ledger accounts are debited and credited according to the effect of the transaction on the fund or appropriation:

**Debit to Increase-Credit to Decrease**

##### **Asset Accounts**

Policy Loans-Basic Account (01)  
Policy Loans-Made Current Fiscal Year (**04**)  
Policy Liens-Basic Account (**05**)  
Policy Liens-Established Current Fiscal Year (**08**)

##### **Expense Accounts**

Variance-Shortage (**29**)  
Interest on Dividend Credits/Deposits (**40**)  
Waivers 41, 58, **59**)  
Write-offs-Policy Liens (**42**)  
Dividends (**43, 44, 45, 46, 47, 48, 49, 50, 56, 57**)  
Surrender Values (**53, 54**)  
Reserve Applied-Policy Surrendered for Paid-Up or Extended Insurance (**55**)

**M29-1, Part II  
Change 1**

**May 10,1971**

**Credit to Increase-Debit to Decrease**

**Asset Accounts**

Policy Loans-Cash Collections (02)  
Policy Loans-Offsets (03)  
Policy Liens-Cash Collections (06)  
Policy Liens-Offsets (07)

**Debit to Decrease-Credit to increase**

**Liability Accounts**

Undelivered Checks and Payments Due (09)  
Dividend Credits/Deposits (10, 11)  
Matured Contracts Payable (13)  
Unapplied Collections (14, **15, 16**)  
Unassociated Collections (18, 19)

**Income Accounts**

Interest on Policy Loans (22, 23)  
Interest on Premiums in Arrears (24, 25)  
Interest on Policy Liens (26, 27)  
Variance-Overage (28, 30)  
Premiums (**31,32,33**)  
Premiums-TDIP-Cash Collections (**35, 36**)

**Debit to Increase-Credit to Decrease**

**Liability Accounts**

Dividend Credits/Deposits-Withdrawn or Applied (12)  
Unapplied Collections-Withdrawn or Applied (17)  
Unassociated Collections-Withdrawn or Applied (20)

**Income Accounts**

Premiums Refunded (34)  
Premiums-TDIP-Refunded (37)

The following miscellaneous accounts are used in the ADP system as holding or operating accounts:

**Accountability (21)-a** general ledger account maintained to show the net worth resulting from the operations of each fund and appropriation (difference between assets-income and liabilities-expense). In the ADP system, it is used as a contra account when a basic account is debited or credited.

**Undistributed Insurance Collections (38)-a** general ledger holding account used to control cash collections in the ADP system. Generally, cash collections are credited to this account outside the system. The system automatically debits the account to clear it and credits an appropriate cash collection income account when processing the transaction. In order to effectively control cash collections, the following restrictions have been placed on the use of this account on clerically prepared file maintenance input documents:

- (1) Never *debit* this account. Use VA FL 29-652 for off-tape adjustment.

(2) A credit may be used *only* for an uncollectible remittance or a retroactive allotment/DFB discontinuance which was not reversed in run 170. When this is done, the contra debit *must* be to an appropriate cash collections account.

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M29-I,  
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**Miscellaneous Transaction Control (39)-a** general ledger holding account used to control two or more interrelated accounting transactions through the ADP system. When transactions are rejected which have MTC account entries, the rejected transactions are controlled by a debit or credit balance in the MTC account.

**Face Amount-Unpaid Matured Contracts and Transferred Accounts (51)** general ledger holding account used to show face values of matured policies at the time they are established as liabilities in the matured contracts payable account. The account is cleared, at the time the matured contract is paid, into a settlement account-installment or one sum.

**Undistributed Insurance Disbursements (52~a)** general ledger holding account used mainly to control cash disbursements made by the system and outside the system. (This account is also used to control amounts being transferred from tape to off-tape records.) The system automatically credits this account and debits an expense or asset account when making a cash disbursement. The account is cleared by a manually prepared disbursement voucher which debits the account and credits the cash account. When outside the system disbursements are made which affect master records on tape, the manually prepared disbursement voucher debits the UID account and credits the cash account. The UID account is then cleared by processing in the system a clerically prepared file maintenance transaction which credits the UID account and debits the appropriate expense account.

#### 24.03 CONTROL ACCOUNTS USED ON INPUT CARD DOCUMENTS

a. When an accounting action is taken in connection with the insertion of a master record or the changing of an existing master record, complete the control account fields of one or more of the inputs listed below. The number of inputs prepared depends on the number of general ledger accounts involved in a particular transaction. The second control account field of VA Form **29-5893a** is used for premium interest adjustment only. The second control account field of the VA Form **29-5894a** is used for adjustment on loan, lien, and/or dividend credit/deposit interest.

- (1) VA Form **29-394**, Dividend Transaction Input Card.
- (2) VA Form **29-5893a**, Premium Input Card-ADP.
- (3) VA Form **29-5894a**, Optional Segment Input Card-ADP.
- (4) VA Form **29-5894b**, TDIP Input Card Only-ADP.
- (5) VA Form **29-5895a**, Pending Transaction Input Card-ADP.
- (6) VA Form **29-5897a**, Accounting Control Input Card-ADP.
- (7) VA Form **29-8328**, Liability Account Input Card.

b. General ledger accounts relating directly to VA Form **29-394** are listed below. Adjustments in these general ledger accounts are always reflected in the control field indicated on the VA Form **29-394**.

**Account  
Number**

**title**

- 43 Dividends-Settlement 44 Dividends-Settlement-Overpayments
- 45 Dividends-NSLI-Special and Regular-Annual-All Other (except RS/W Special)-Includes USGLI
- 46 Dividends-NSLI-Special and Regular-Annual-All Other-Overpayments (except RS/W Special)-Includes USGLI
- 47 Dividends-NSLI-(Prior Year)-Regular-Annual
- 48 Dividends-NSLI-(Prior Year)-Regular-Annual-Overpayments
- 49 Dividends-NSLI Current Year)-Regular-Annual  
so Dividends-NSLI-(Current Year)-Regular-Annual-Overpayments
- 56 Dividend I9\_ Special
- 57 Dividend I9\_ Special-Overpayment

24-3

**M29-1, Part II**

**May 10,1971**

**Change 1**

The following general ledger accounts are used contra to the above:

| Account<br>Number | Title                                 |
|-------------------|---------------------------------------|
| 09                | Undelivered Checks and Payments Due   |
| 39                | Miscellaneous Transaction Control     |
| 52                | Undistributed Insurance Disbursements |

c. General ledger accounts relating directly to VA Form 29-5893a are listed below. Adjustments to these general ledger accounts are reflected in the control account fields of VA Form 29-5893a as indicated.

| Account<br>Number | Title                                              | Field Used |
|-------------------|----------------------------------------------------|------------|
| 31                | Premiums-Cash Collections                          | First      |
| 32                | Premiums-Offsets                                   | First      |
| 33                | Premiums-Purchase of Extended or Paid-Up Insurance | First      |
| 34                | Premiums-Refunded or Transferred                   | First      |
| 24                | Interest on Premiums in Arrears-Cash Collections   | Second     |
| 25                | Interest on Premiums in Arrears-Offsets            | Second     |

The following general ledger accounts are used contra to the above:

| Account<br>Number | Title                                                       |
|-------------------|-------------------------------------------------------------|
| 20                | Unassociated Collections-Withdrawn or Applied               |
| 38                | Undistributed Insurance Collections                         |
| 39                | Miscellaneous Transaction Control                           |
| 52                | Undistributed Insurance Disbursements                       |
| 53                | Surrender Values                                            |
| 55                | Reserve Applied-Surrender for Paid-Up or Extended Insurance |
| 58                | Waivers-Premiums                                            |
| 59                | Waivers-Premiums Reimbursable                               |

d. General ledger accounts relating directly to VA Form 29-5894a are listed below. Adjustments in these general ledger accounts are always reflected in the control field indicated on the VA Form 29-5894a.

(I) When preparing VA Form 29-5894a for file maintenance operations, and interest adjustments are required which increase or decrease loan, lien, or dividend credit/deposit balances, the general rule is to debit or credit the same general ledger accounts used to capitalize interest:

|                       |                                                           |
|-----------------------|-----------------------------------------------------------|
| ADP                   |                                                           |
| <b>Account Number</b> | Account                                                   |
|                       | 04 Policy Loans-Made Current Fiscal Year                  |
|                       | 08 Policy Liens-Established Current Fiscal Year           |
| II                    | Dividend Credits/Deposits-Established Current Fiscal Year |

24-4

May 10,1971

M29-1, P  
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(2) In following this rule, when making an interest adjustment at the same time another action is taken which also increases or decreases the controlled account balance, it would normally be necessary to prepare two VA Forms **29-5894a**, since different accounts are used for the change in balance.

(a) In order to reduce the number of input cards, one VA Form **29-5894a** may be prepared and interest adjustment made using the general ledger account that is used for the other action being taken, provided a cash collections account is not used for the other action. (If the other account is a cash collections account, it will be necessary to prepare two VA Forms **29-5894a**, one to adjust the balance using the cash collections account and one to adjust the balance using the interest capitalization account.)

(b) For example, a \$10 loan repayment pending transaction in the same fund as the loan and postmarked after the loan interest capitalization date and before the loan anniversary date, is being applied to reduce the loan balance. One VA Form **29-5894a** may be prepared to reduce the loan balance for the amount of the payment and also for the interest adjustment using the following entries in the control account sections of the VA Form **29-5894a**:

|                                                 |         |
|-------------------------------------------------|---------|
| V Fund-DRMTC(39)                                | \$10.10 |
| V Fund-CR Policy Loans-Offsets (03)             | 10.10   |
| V Fund-DR Interest on Policy Loans-Offsets (23) | .10     |
| V Fund-CR MTC (39)                              | .10     |

If a loan repayment pending transaction is in a different fund than the loan, two VA Forms **29-5894a** are necessary since the cash collections account must be used for the amount of the repayment and a noncash collections account must be used for the amount of the interest adjustment:

|                                              |         |
|----------------------------------------------|---------|
| <b>First VA Form 29-894a</b>                 |         |
| RS Fund-DRMTC (39)                           | \$10.00 |
| V Fund-CR Policy Loans-Cash Collections (02) | 10.00   |

**Second VA Form 29-58 94a**

|                                                      |     |
|------------------------------------------------------|-----|
| V Fund-DR MTC (39)                                   | .10 |
| V Fund-CR Policy Loans-Made Current Fiscal Year (04) | .10 |
| V Fund-DR Interest on Policy Loans-Offsets (23)      | .10 |
| V Fund-CR MTC(39)                                    | .10 |

(c) **Loans**

| <b>Account Number</b> | <b>Title</b>                              | <b>Field Used</b> |
|-----------------------|-------------------------------------------|-------------------|
| 01                    | Policy Loans-Basic Account                | First             |
| 02                    | Policy Loans-Cash Collections             | First             |
| 03                    | Policy Loans-Offsets                      | First             |
| 04                    | Policy Loans-Made Current Fiscal Year     | First             |
| 22                    | Interest on Policy Loans-Cash Collections | Second            |
| 23                    | Interest on Policy Loans-Offsets          | Second            |

24-5

**M29-1, Part II May 10,1971**  
**Change 1**

The following general ledger accounts are used contra to the above: **Account**

| <b>Number</b> | <b>Title</b>                                  |
|---------------|-----------------------------------------------|
| 20            | Unassociated Collections-Withdrawn or Applied |
| 21            | Accountability                                |
| 28            | Variance-Overage -Cash Collections            |
| 29            | Variance-Shortage                             |
| 30            | Variance-Overage-Offsets                      |
| 38            | Undistributed Insurance Collections           |
| 39            | Miscellaneous Transaction Control             |
| 52            | Undistributed Insurance Disbursements         |
| 63            | Policy Loans-Received From Other Stations     |

(d) **Liens**

| <b>Account Number</b> | <b>Title</b>                                 | <b>Field Used</b> |
|-----------------------|----------------------------------------------|-------------------|
| 05                    | Policy Liens-Basic Account                   | First             |
| 06                    | Policy Liens-Cash Collections                | First             |
| 07                    | Policy Liens-Offsets                         | First             |
| 08                    | Policy Liens-Established Current Fiscal Year | First             |
| 26                    | Interest on Policy Liens-Cash Collections    | Second            |
| 27                    | Interest on Policy Liens-Offsets             | Second            |

The following general ledger accounts are used contra to the above: **Account**

| <b>Number</b> | <b>Title</b>                                  |
|---------------|-----------------------------------------------|
| 20            | Unassociated Collections-Withdrawn or Applied |
| 21            | Accountability                                |
| 28            | Variance-Overage -Cash Collections            |
| 29            | Variance-Shortage                             |
| 30            | Variance-Overage-Offsets                      |
| 38            | Undistributed Insurance Collections           |
| 39            | Miscellaneous Transaction Control             |
| 41            | Waivers-Receiveables and Liens                |
| 42            | Write-offs-Policy Liens                       |
| 52            | Undistributed Insurance Disbursements         |
| 54            | Surrender Values-Overpayments                 |
| 65            | Policy Liens-Received From Other Stations     |

(e) **Dividend Credits/Deposits**

| <b>Account Number</b> | <b>Title</b>                                              | <b>Field Used</b> |
|-----------------------|-----------------------------------------------------------|-------------------|
| 10                    | Dividend Credits/Deposits-Basic Account                   | First             |
| II                    | Dividend Credits/Deposits-Established Current Fiscal Year | First             |
| 12                    | Dividend Credits/Deposits-Withdrawn or Applied            | First             |
| 40                    | Interest on Dividend Credits/Deposits                     | Second            |

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The following general ledger accounts are used contra to the above:

| <b>Account Number</b> | <b>Title</b>                                           |
|-----------------------|--------------------------------------------------------|
| 20                    | Unassociated Collections-Withdrawn or Applied          |
| 21                    | Accountability                                         |
| 39                    | Miscellaneous Transaction Control                      |
| 52                    | Undistributed Insurance Disbursements                  |
| 67                    | Dividend Credits/Deposits-Received From Other Stations |

e. The following general ledger accounts relating directly to VA Form **29-5894b** are listed below. Adjustments in these general ledger accounts are always reflected in the first control account field on the VA Form **29-5894b**.

| <b>Account Number</b> | <b>Title</b>                   |
|-----------------------|--------------------------------|
| 35                    | Premiums-TDIP-Cash Collections |
| 36                    | Premiums-TDIP-Offsets          |
| 37                    | Premiums-TDIP-Refunded         |

The following general ledger accounts are used contra to the above:

| <b>Account Number</b> | <b>Title</b>                                  |
|-----------------------|-----------------------------------------------|
| 20                    | Unassociated Collections-Withdrawn or Applied |
| 38                    | Undistributed Insurance Collections           |
| 39                    | Miscellaneous Transaction Control             |
| 52                    | Undistributed Insurance Disbursements         |

f. General ledger accounts relating directly to VA Form **29-5895a** are listed below. Adjustments in these general ledger accounts are always reflected in the control account field on the VA Form **29-5895a**.

| <b>Account Number</b> | <b>Title</b>                               |
|-----------------------|--------------------------------------------|
| 14                    | Unapplied Collections-Basic Account        |
| 15                    | Unapplied Collections-Cash Collections     |
| 16                    | Unapplied Collections-Offsets              |
| 17                    | Unapplied Collections-Withdrawn or Applied |

The following general ledger accounts are used contra to the above:

| <b>Account Number</b> | <b>Title</b>                                  |
|-----------------------|-----------------------------------------------|
| 20                    | Unassociated Collections-Withdrawn or Applied |
| 21                    | Accountability                                |
| 38                    | Undistributed Insurance Collections           |
| 39                    | Miscellaneous Transaction Control             |
| 52                    | Undistributed Insurance Disbursements         |

*A*

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g. Under normal conditions, accounting actions not related to the premium or optional segment of the master record are made on VA Form 29-5897a. A cash collections account may not be used on VA Form 29-5897a and the total debit amounts must always equal the credit amounts. When control accounting required cannot be accomplished on one VA Form 29-5897a, prepare an additional form. When preparing VA Form 29-5897a, the debit items will be entered first, followed by the credit entries. The number of debits will be entered in block 30 on the form.

(1) Cases involving total cash surrenders, matured endowments or death settlements will show transaction type 089 (miscellaneous accounting) and reason code 07 (miscellaneous) on the first form. The second form will show transaction type 099 (accounting and delete record) and reason code 02 (cash surrender), 03 (matured endowment), or 04 (XC).

(2) The Surrender Values account (**53**), Face Amount-Unpaid Matured Contracts and transferred accounts (51), and Matured Contracts Payable account (13) are always shown on the VA Form 29-5897a using transaction type 099 and reason code 02, 03, or 04.

*NOTE: Accounts 13 and 51 must be assigned XB batch number*

(3) When processing other actions requiring two VA Forms 29-5897a on a case involving transaction type 079 (voucher cancellation) or 089 (miscellaneous accounting action), both forms may be released on the same day, showing identical transaction types and reason codes.

(4) The control accounts shown on VA Form 29-5897a are listed below:

**Account**

| <b>Number</b> | <b>Title</b>                                                  |
|---------------|---------------------------------------------------------------|
| 09            | Undelivered Checks and Payments Due                           |
| 13            | Matured Contracts Payable w                                   |
| 20            | Unassociated Collections-Withdrawn or Applied                 |
| 21            | Accountability                                                |
| 23            | Interest on Policy Loans-Offsets                              |
| 27            | Interest on Policy Liens-Offsets                              |
| 29            | Variance-Shortage                                             |
| 30            | Variance-Overage-Offsets                                      |
| 32            | Premiums-Offsets                                              |
| <b>33</b>     | Premiums-Purchase of Extended or Paid-Up Insurance            |
| 34            | Premiums-Refunded                                             |
| <b>36</b>     | Premiums-TDIP-Offsets                                         |
| 37            | Premiums-TDIP-Refunded                                        |
| 39            | Miscellaneous Transaction Control                             |
| 40            | Interest on Dividend Credits/Deposits                         |
| 51            | Face Amount-Unpaid Matured Contracts and Transferred Accounts |
| 52            | Undistributed Insurance Disbursements                         |
| 53            | Surrender Values                                              |
| <b>55</b>     | Reserve Applied-Policy Surrendered for Paid-Up or Extended    |
| Insurance     |                                                               |
| 69            | Face Amount-Received From Other Stations                      |

**24.04 CONTROL ACCOUNTS USED ON OCR DOCUMENTS**

a. When an accounting action is taken in connection with the insertion of a master record or the changing of an existing master record, complete the control account fields of one or more of the input listed below. The number of input prepared depends on the number of general ledger accounts involved in a particular transaction.

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**M29-1, Part II  
Change 1**

The second control account field of VA Form **29-8523(03)** is used only for premium interest adjustment. The second control account field of VA Form **29-8525(05)** is used for adjustment on loan, lien and/or dividend credit/deposit interest.

- (1) VA Form **29-8523(03)**, Premium/TDIP
- (2) VA Form **29-8525(05)**, Dividend-Loan-Lien
- (3) VA Form **29-8526(06)**, Pending Transaction
- (4) VA Form **29-8527(07)**, Accounting Control
- (5) VA Form **29-8528(08)**, Paid Dividend/Dividend History
- (6) VA Form 29-8531(11),TDIP

b. General ledger accounts relating directly to VA Form **29-8523(03)**, are listed below. This form is used to update or downdate the premium and/or TDIP segment. One pending transaction type **609** or one in the 200 or 400 series only may be *deleted* by use of this document. Adjustments to these general ledger accounts are reflected in the control account fields as indicated.

| Account Number | Title                                                    | Field Used |
|----------------|----------------------------------------------------------|------------|
| 15             | Unapplied Collections-Cash Collections                   | First      |
| 17             | Unapplied Collections-Withdrawn or Applied               | First      |
| 31             | Premiums-Cash Collections                                | First      |
| 32             | Premiums-Offsets                                         | First      |
| 33             | Premiums-Purchase of Extended or Paid-Up Insurance       | First      |
| 34             | Premiums-Refunded                                        | First      |
| 35             | Premiums-TDIP-Cash Collections                           | First      |
| 36             | Premiums-TDIP-Offsets                                    | First      |
| 37             | Premiums-TDIP-Refunded (to delete a pending transaction) | First      |
| 24             | Interest on Premiums in Arrears-Cash Collections         | Second     |
| 25             | Interest on Premiums in Arrears-Offsets                  | Second     |

The following general ledger accounts are used contra to the above:

| Account Number | Title                                                                |
|----------------|----------------------------------------------------------------------|
| 20             | Unassociated Collections-Withdrawn or Applied                        |
| 38             | Undistributed Insurance Collections                                  |
| 39             | Miscellaneous Transaction Control                                    |
| 52             | Undistributed Insurance Disbursements                                |
| 53             | Surrender Values                                                     |
| 55             | Reserve Applied-Policy Surrendered for Paid-Up or Extended Insurance |
| 58             | Waivers-Premiums                                                     |
| 59             | Waivers-Premiums Reimbursable                                        |

c. General ledger accounts relating directly to VA Form **29-8525(05)** are listed below. This form is used to insert or change the loan, lien, dividend credit or dividend deposit segments. Also, one pending transaction in the 200, 300, 400 series or **609** or **978 diary** without a diary message may be inserted, changed or deleted by use of this document.

**M29-1, Part II  
Change 1**

**May 10,1971**

(1) When interest adjustments are required which increase or decrease loan, lien or dividend/credit/deposit balances, the general rule is to debit or credit the same general ledger accounts used to capitalize interest:

ADP

**Account**

| <b>Number</b> | <b>Title</b>                                              |
|---------------|-----------------------------------------------------------|
| 04            | Policy Loans-Made Current Fiscal Year                     |
| 08            | Policy Liens-Established Current Fiscal Year              |
| II            | Dividend Credits/Deposits Established Current Fiscal Year |

(2) In following this rule, when making an interest adjustment at the same time another action is taken which also increases or decreases the controlled account balance, it would normally be necessary to prepare two VA Forms 29.8525(05) since different accounts are used for the change in balance.

(a) In order to reduce the number of input documents, one VA Form 29.8525(05) may be prepared and interest adjustment made using the same general ledger account that is used for the other action. If the other account is a cash collections account, it will be necessary to prepare two VA Forms 29.5825(05), one to adjust the balance using the cash collections account and one to adjust the balance using the interest capitalization account.

(b) If a loan repayment pending transaction is in a different fund than the loan, two VA Forms 29.8525(05) are necessary since the cash collections account must be used for the amount of the repayment and a noncash account must be used for the amount of the interest adjustment.

**(c) Loans**

**Account**

| <b>Number</b> | <b>Title</b>                              | <b>Field Used</b> |
|---------------|-------------------------------------------|-------------------|
| 01            | Policy Loans-Basic Account                | First             |
| 02            | Policy Loans-Cash Collections             | First             |
| 03            | Policy Loans-Offsets                      | First             |
| 04            | Policy Loans-Made Current Fiscal Year     | First             |
| 22            | Interest on Policy Loans-Cash Collections | Second            |
| 23            | Interest on Policy Loans-Offsets          | Second            |

The following general ledger accounts are used contra to the above:

**Account**

| <b>Number</b> | <b>Title</b> |
|---------------|--------------|
|---------------|--------------|

|    |                                               |
|----|-----------------------------------------------|
| 20 | Unassociated Collections-Withdrawn or Applied |
| 21 | Accountability                                |
| 28 | Variance-Overage-Cash Collections             |
| 29 | Variance-Shortage                             |
| 30 | Variance-Overage-Offsets                      |
| 38 | Undistributed Insurance Collections           |
| 39 | Miscellaneous Transaction Control             |
| 52 | Undistributed Insurance Disbursements         |
| 63 | Policy Loans-Received From Other Stations     |

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Change 1

(d) Liens

| Account Number | Title                                        | Field Used |
|----------------|----------------------------------------------|------------|
| 05             | Policy Liens-Basic Account                   | First      |
| 06             | Policy Liens-Cash Collections                | First      |
| 07             | Policy Liens-Offsets                         | First      |
| 08             | Policy Liens-Established Current Fiscal Year | First      |
| 26             | Interest on Policy Liens-Cash Collections    | Second     |
| 27             | Interest on Policy Liens-Offsets             | Second     |

The following general ledger accounts are used contra to the above:

| Account Number | Title                                         |
|----------------|-----------------------------------------------|
| 20             | Unassociated Collections-Withdrawn or Applied |
| 21             | Accountability                                |
| 28             | Variance-Overage-Cash Collections             |
| 29             | Variance-Shortage                             |
| 30             | Variance-Overage-Offsets                      |
| 38             | Undistributed Insurance Collections           |
| 39             | Miscellaneous Transaction Control             |
| 41             | Waivers-Receivables and Liens                 |
| 42             | Write-offs-Policy Liens                       |
| 52             | Undistributed Insurance Disbursements         |
| 54             | Surrender Values-Overpayments                 |
| 65             | Policy Liens-Received From Other Stations     |

(e) Dividend Credits/Deposits

| Account Number | Title | Field Used |
|----------------|-------|------------|
|----------------|-------|------------|

|    |                                                           |        |
|----|-----------------------------------------------------------|--------|
| 10 | Dividend Credits/Deposits-Basic Account                   | First  |
| 11 | Dividend Credits/Deposits-Established Current Fiscal Year | First  |
| 12 | Dividend Credits/Deposits-Withdrawn or Applied            | First  |
| 40 | Interest on Dividend Credits/Deposits                     | Second |

The following general ledger accounts are used contra to the above: **Account Number** **Title**

|           |                                                        |
|-----------|--------------------------------------------------------|
| <b>20</b> | Unassociated Collections-Withdrawn or Applied          |
| 21        | Accountability                                         |
| <b>39</b> | Miscellaneous Transaction Control                      |
| <b>52</b> | Undistributed Insurance Disbursements                  |
| 67        | Dividend Credits/Deposits Received From Other Stations |

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**Change 1**

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(i) General ledger accounts directly related to VA Form 29-8525(05), for the deletion or insertion of a pending transaction in the 200, 300, 400 series or 609, are listed below:

| <b>Account Number</b> | <b>Title</b>                               |
|-----------------------|--------------------------------------------|
| 14                    | Unapplied Collections-Basic Account        |
| 15                    | Unapplied Collections-Cash Collections     |
| 16                    | Unapplied Collections-Offsets              |
| 17                    | Unapplied Collections-Withdrawn or Applied |

The following general ledger accounts are used contra to the above:

| <b>Account Number</b> | <b>Title</b>                                  |
|-----------------------|-----------------------------------------------|
| 20                    | Unassociated Collections-Withdrawn or Applied |
| 21                    | Accountability                                |
| 38                    | Undistributed Insurance Collections           |
| 39                    | Miscellaneous Transaction Control             |
| 52                    | Undistributed Insurance Disbursements         |

d. General ledger accounts relating directly to VA Form 29.8526(06) are listed below. This form is used to insert, change, and/or delete items on or from the pending transaction tape. The control accounts directly related to this form are also listed:

| <b>Account Number</b> | <b>Title</b> |
|-----------------------|--------------|
|-----------------------|--------------|

|    |                                            |
|----|--------------------------------------------|
| 14 | Unapplied Collections-Basic Account        |
| 15 | Unapplied Collections-Cash Collections     |
| 16 | Unapplied Collections-Offsets              |
| 17 | Unapplied Collections-Withdrawn or Applied |

The following general ledger accounts are used contra to the above:

| Account Number | Title                                         |
|----------------|-----------------------------------------------|
| 20             | Unassociated Collections-Withdrawn or Applied |
| 21             | Accountability                                |
| 38             | Undistributed Insurance Collections           |
| 39             | Miscellaneous Transaction Control             |
| 52             | Undistributed Insurance Disbursements         |

e. General ledger accounts relating directly to VA Form 29-8527(07), are listed below. This form is used to provide control accounts information and delete individual policies from the master record. The control accounts shown on this form **are** also listed:

| Account Number | Title                                         |
|----------------|-----------------------------------------------|
| 09             | Undelivered Checks and Payments Due           |
| 13             | Matured Contracts Payable                     |
| 20             | Unassociated Collections-Withdrawn or Applied |

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| Account Number | Title                                                                |
|----------------|----------------------------------------------------------------------|
| 21             | Accountability                                                       |
| 23             | Interest on Policy Loans-Offsets                                     |
| 27             | Interest on Policy Liens-Offsets                                     |
| 29             | Variance-Shortage                                                    |
| 30             | Variance-Overage-Offsets                                             |
| 32             | Premiums-Offsets                                                     |
| 33             | Premiums-Purchase of Extended or Paid-Up Insurance                   |
| 34             | Premiums-Refunded                                                    |
| 36             | Premiums-TDIP-Offsets                                                |
| 37             | Premiums-TDIP-Refunded                                               |
| 39             | Miscellaneous Transaction Control                                    |
| 40             | Interest on Dividend Credits/Deposits                                |
| 51             | Face Amount-Unpaid Matured Contracts and Transferred Accounts        |
| 52             | Undistributed Insurance Disbursements                                |
| 53             | Surrender Values                                                     |
| 55             | Reserve Applied-Policy Surrendered for Paid-Up or Extended Insurance |
| 69             | Face Amount-Received From Other Stations                             |

f. General ledger accounts relating directly to VA Form **29-8528(08)** are listed below. This form is used to manually authorize a dividend, insert a pending dividend transaction for payment at a future date, or reverse all or part of a prior paid dividend. It is also used to insert a paid dividend information segment on the master record.

A

| <b>Account Number</b> | <b>Title</b>                                                                                          |
|-----------------------|-------------------------------------------------------------------------------------------------------|
| 43                    | Dividends-Settlement                                                                                  |
| 44                    | Dividends-Settlement-Overpayments                                                                     |
| 45                    | Dividends-NSLI-Special and Regular-Annual-All Other (except RS/W Special)-Includes USGLI              |
| 46                    | Dividends-NSLI-Special and Regular-Annual-All Other Overpayments (except RS/W Special)-Includes USGLI |
| 47                    | Dividends-NSLI-(Prior Year)-Regular-Annual                                                            |
| 48                    | Dividends-NSLI Prior Year)-Regular-Annual-Overpayments                                                |
| 49                    | Dividends-NSLI Current Year)-Regular-Annual                                                           |
| 50                    | Dividends-NSLI-(Current Year)-Regular-Annual-Overpayments                                             |
| 56                    | Dividends 19 Special ( <b>1963</b> Special and RS/W Special)                                          |
| 57                    | Dividends 19 Special Overpayment ( <b>1963</b> Special and RS/W Special)                              |

g. General ledger accounts relating directly to VA Form **29-8531(11)** are listed below. This form is used to change, insert or delete **data** in the TDIP segment of the master record. It is also used to insert, change or delete an item on the pending transaction tape. The control accounts directly related to this form are also listed:

| <b>Account Number</b> | <b>Title</b>                               |
|-----------------------|--------------------------------------------|
| 14                    | Unapplied Collections-Basic Account        |
| 15                    | Unapplied Collections-Cash Collections     |
| 16                    | Unapplied Collections-Offsets              |
| 17                    | Unapplied Collections-Withdrawn or Applied |
| 35                    | Premiums-TDIP-Cash Collections             |
| 36                    | Premiums-TDIP-Offsets                      |
| 37                    | Premiums-TDIP-Refunded                     |

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The following general ledger accounts are used contra to the above:

| <b>Account Number</b> | <b>Title</b> |
|-----------------------|--------------|
|-----------------------|--------------|

|    |                                               |
|----|-----------------------------------------------|
| 20 | Unassociated Collections-Withdrawn or Applied |
| 21 | Accountability                                |
| 38 | Undistributed Insurance Collections           |
| 39 | Miscellaneous Transaction Control             |
| 52 | Undistributed Insurance Disbursements         |

**24.05 GENERAL LEDGER ADP ACCOUNT NUMBERS**

a. The general ledger accounts used in preparing file maintenance input documents are listed below in ADP account number order. The corresponding general ledger account number is also shown as a cross-reference.

| General Ledger   |                                                                | ADP            |
|------------------|----------------------------------------------------------------|----------------|
| Account Number   | Account Name                                                   | Account Number |
| 1142.00          | Policy Loans-Basic Account                                     | 01~            |
| I 142.2(Y)       | Policy Loans-Cash Collections                                  | 02'            |
| I 142.30/        | Policy Loans-Offsets                                           | <b>03i</b>     |
| 1142.90'         | Policy Loans-Made Current Fiscal Year                          | 04J            |
| 1271.00'         | Policy Liens-Basic Account                                     | <b>05-</b>     |
| 1271.20'         | Policy Liens-Cash Collections                                  | <b>06.'</b>    |
|                  | Policy Liens-Offsets                                           | 07~            |
| 1271.90'         | Policy Liens-Established Current Fiscal Year                   | 08             |
| 2025.10'         | Undelivered Checks and Payments Due-Liability, ADP Intersystem |                |
| Transfers        | 09 J                                                           |                |
| 2032.00'         | Dividend Credits/Deposits-Basic Account                        | 10n            |
| 2032.30 ~        | Dividend Credits/Deposits-Established Current Fiscal Year      | 11 I           |
| 2032.90'         | Dividend Credits/Deposits-Withdrawn or Applied                 | 12"            |
| 2063.00~         | Matured Contracts Payable                                      | <b>13i</b>     |
| 2064.00'         | Unapplied Collections-Basic Account                            | 14~            |
| 2064.2~          | Unapplied Collections-Cash Collections                         | 15'            |
| 2064.30~'        | Unapplied Collections-Offsets                                  | <b>16'</b>     |
| 2064.90          | Unapplied Collections-Withdrawn or Applied                     | 17'            |
| 2065.20'         | Unassociated Collections-Cash Collections                      | 18'            |
| <b>2065.30 ~</b> | Unassociated Collections-Offsets                               | 19'            |
| 2065.90'         | Unassociated Collections-Withdrawn or Applied                  | 20             |
| 2247.00'         | Accountability                                                 | 21~            |
| 3214.20'         | Interest on Policy Loans-Cash Collections                      | 22             |
| <b>3214.30</b>   | Interest on Policy Loans-Offsets                               | 23             |
| 3216.20'         | Interest on Premiums in Arrears-Cash Collections               | 24             |
| <b>3216.30'</b>  | Interest on Premiums in Arrears-Offsets                        | <b>25~</b>     |
| 3217.20 i        | Interest on Policy Liens-Cash Collections                      | <b>26'</b>     |
| 3217.30~         | Interest on Policy Liens-Offsets                               | 27',           |
| 3224.20 ~        | Variance-Overage-Cash Collections                              | 28'            |
| 3224.90          | Variance-Shortage                                              | 29'            |
| 3224.30'         | Variance -Overage -Offsets                                     | <b>30</b>      |
| 3561.20          | Premiums-Cash Collections                                      | <b>31~'</b>    |
| <b>3561.30'</b>  | Premiums-Offsets                                               | <b>32"</b>     |
| <b>3561.40</b>   | Premiums-Purchase Extended or Paid-Up Insurance                | <b>33</b>      |
| <b>3561.90'</b>  | Premiums-Refunded                                              | <b>34"</b>     |
| <b>3562.20'</b>  | Premiums-TDIP-Cash Collections                                 | <b>336~</b>    |
| <b>3562 .30</b>  | Premiums-TDIP-Offsets                                          |                |

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M29-1, P  
Cha

**General Ledger  
Account Number**

**Account Name**

|         |                                                                                          |
|---------|------------------------------------------------------------------------------------------|
| 3562.90 | Premiums-TDIP-Refunded                                                                   |
| 3569 00 | Undistributed Insurance Collections                                                      |
| 3571 00 | Miscellaneous Transaction Control                                                        |
| 4053.00 | Interest on Dividend Credits/Deposits                                                    |
| 4215.00 | Waivers-Receivables and Liens                                                            |
| 4252.00 | Write-offs-Policy Liens                                                                  |
| 4351.00 | Dividends-Settlement                                                                     |
| 4351.30 | Dividends-Settlement-Overpayments                                                        |
| 4331.00 | Dividends-NSLI-Special and Regular-Annual MI Other (except RS/W Special)                 |
| 4332.00 | Dividends-USGLI-Regular Annual                                                           |
| 4331.30 | Dividends-NSLI-Special and Regular-Annual MI Other Overpayments<br>(except RS/W Special) |
| 4332.30 | Dividends-USGLI-Regular Annual Overpayments                                              |
| 4369.00 | Dividends NSLI (Year) Regular Annual (Prior Year)                                        |
| 4369.30 | Dividends NSLI (Year) Regular Annual Overpayments (Prior Year)                           |
| 4370.00 | Dividends NSLI (Year) Regular Annual NSLI (Current Year)                                 |
| 4370.30 | Dividends NSLI (Year) Regular Annual NSLI (Current Year) Overpayments                    |
| 4639.00 | Face Amount-Unpaid Matured Contracts and Transferred Accounts                            |
| 4669.00 | Undistributed Insurance Disbursements                                                    |
| 4755.00 | Surrender Values                                                                         |
| 4755 30 | Surrender Values-Overpayments (Liens)                                                    |
| 4756.00 | Reserve Applied-Policy Surrendered for Paid-Up or Extended Insurance                     |
|         | Dividends 19 Special                                                                     |
| 4314.30 | Dividends 19 Special Overpayment                                                         |
| 4216.00 | Waivers-Premiums                                                                         |
| 4217.00 | Waivers-Premiums-Reimbursable                                                            |
| 6112 00 | Policy Loans-Transferred to Other Stations                                               |
|         | Policy Loans-Received From Other Stations                                                |
| 6131.00 | Policy Liens-Transferred to Other Stations                                               |
| 6141.00 | Policy Liens-Received From Other Stations                                                |
|         | Dividend Credits/Deposits-Transferred to Other Stations                                  |
| 6222.00 | Dividend Credits/Deposits-Received From Other Stations                                   |
| 6429.00 | Face Amount Transfers-Transferred to Other Stations                                      |
| 6429.00 | Face Amount Transfers-Received From Other Stations                                       |
| 6214.00 | Unapplied Collections-Transferred to Other Stations                                      |
| 6224.00 | Unapplied Collections-Received From Other Stations                                       |

**M29-1, Part II  
Change 1**

**May 10,1971**

**24.06 GUIDE FOR MAINTENANCE OF GENERAL LEDGER ACCOUNTS**

The following outline identifies the conditions under which each general ledger account and contra account is used, the debit or credit action required, and the input used with each condition:

**ACCOUNTABILITY-(21)**

**DEBIT**

a. When a basic account is credited.

Contra Account-credit Dividend Credits and De-Loans-Basic Account  
posits-Basic Account (10).  
(05).

Forms Used:

VA Forms 29-5894a  
29.8525(05)

**CREDIT**

a. When a basic account is debited.

Contra accounts-debit Policy  
(01) or Policy Liens-Basic Account

**DIVIDEND CREDITS AND DEPOSITS-BASIC ACCOUNT-(10)**

**DEBIT**

a. When a dividend credit or deposit is transferred to another office.

b. When it is necessary to reverse any of the credit actions of

Contra account-credit Accountability (21).

Forms Used:

VA Forms 29-5894a, Blocks **53-64** only.  
29-8525(05)

**CREDIT**

When dividend credit or deposit is transferred from off-tape file.

b. When dividend credit or deposit is received from another office.

c. When a dividend credit or deposit is Discovered which was Lost at the time the accounts were placed under general ledger control.

Contra account-debit Accountability (21).

**DIVIDEND CREDITS AND DEPOSITS-ESTABLISHED CURRENT FISCAL YEAR-(II)**

**DEBIT**

**CREDIT**

a. When it is necessary to reverse any of the credit actions.

Contra account-credit account previously debited.

Forms Used:  
VA Forms 29-5894a, Blocks **53-64** only.  
29-8525(05)

a. When dividend is placed on credit or deposit.

Contra account-debit dividend account for the year involved or MTC (39).

b. When interest is added to the account.

Contra account-debit Interest on Dividend Credits or Deposits (40).

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DIVIDEND CREDITS OR DEPOSITS-WITHDRAWN OR APPLIED-(I 2)

DEBIT

a. When dividend credit or deposit is paid in cash.

Contra account-credit UID (52).

credited.

b. When dividend credit or deposit is applied to another account.

Contra account-credit MTC (39).

Forms Used:  
VA Forms **29-5894a**, Blocks **53-64** only.  
**29-8525(05)**

CREDIT

a. When it is necessary to reverse any of actions.

Contra account-debit account previously

DIVIDENDS-SETTLEMENT-(43)

DEBIT

a. When a dividend is authorized on death and surrender cases for the months after the policy anniversary up to the date of termination.

Contra accounts-credit Matured Contracts Payable (13). UID (52) or MTC (39).

Forms Used:  
VA Forms **29-394** **29-5897a** **29-8527(07)**  
**29-8528(08)**

CREDIT

a. When it is necessary to reverse any of the debit actions.

Contra account-debit account previously credited or MTC (39).



a. When necessary to reverse any of the credit discovered on a dividend actions.

Contra account-credit the account previously debited.

Forms Used:  
VA Forms 29-394  
29-5897a      29-8528(08)

which was paid prior to the first calendar year preceding the current dividend year and a lien is

established.

Contra account-debit Policy Liens-Established Current Fiscal Year (08).  
29-8527(07)

a. When an overpayment is

DIVIDENDS-NSLI-(PRIOR YEAR)-REGULAR-ANNUAL-(47)

DEBIT

CREDIT

a. When a dividend which was due the first calendar year preceding the current dividend year is authorized clerically.

Contra accounts-credit UID (52), Matured Contracts Payable (13), Dividend Credits and Deposits Established Current Fiscal Year (II), MTC (39) or Unapplied Collections-Offsets (16).

Forms Used:  
VA Forms 29-394

29-5893a      **29-8523(03)**  
29-5894a      29-8525(05)  
29-5894b      **29-8526(06)**  
29-5895a      29-8527(07)  
29-5897a      29-8528(08)

a. When it is necessary to reverse any of the debit actions.

Contra account-debit the account previously credited.

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DIVIDENDS-NSLI-(PRIOR YEAR)-REGULAR-ANNUAL-OVERPAYMENTS-(48)

DEBIT

CREDIT

a. When it is necessary to reverse any of the credit actions.

Contra account-credit the account previously debited.

Forms Used:  
VA Forms 29-394 **29-8525(05)**

29-5894a  
29-5897a

a. When an overpayment is discovered on a dividend which was paid the first calendar year preceding the current dividend year and a lien is established.

Contra account-debit Policy Liens-Established Current Fiscal Year (08).

29.8527(07)  
29-8528(08)

**DIVIDENDS-NSLI-(CURRENT YEAR)-REGULAR-ANNUAL-(49)**

DEBIT

CREDIT

a. When a dividend which is due for the current dividend year is authorized clerically.

a. When it is necessary to reverse any of the actions.

Contra accounts-credit UID (52), Matured Contracts Payable (13), Dividend Credits and Deposits-Established Current Fiscal Year (II), MTC (39) or Unapplied Collections-Offsets (16).

Contra account-debit the account previously credited.

Forms Used:

VA Forms **29-394**

|                 |                    |
|-----------------|--------------------|
| <b>29-5893a</b> | <b>29-8523(03)</b> |
| <b>29-5894a</b> | <b>29-8525(05)</b> |
| <b>29-5894b</b> | <b>29-8526(06)</b> |
| <b>29-5895a</b> | <b>29-8527(07)</b> |
| <b>29-5897a</b> | <b>29-8528(08)</b> |

**DIVIDENDS-NSLI-(CURRENT YEAR)-REGULAR-ANNUAL-OVERPAYMENTS-(50)**

DEBIT

CREDIT

a. When it is necessary to reverse any of the credit actions.

a. When an overpayment is discovered on a dividend paid for the current dividend year and a policy Liens-Established.

Contra account-credit the account previously debited.

Contra account-debit Policy Liens-Established Current Fiscal Year (08).

Forms Used:

VA Forms **29-394 29-8525(05)**

|                 |                    |
|-----------------|--------------------|
| <b>29-5894a</b> | <b>29.8527(07)</b> |
| <b>29-5897a</b> | <b>29.8528(08)</b> |

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Change 1**

**DIVIDENDS-I 9 \_SPECIAL-(56)**

DEBIT

CREDIT

a. When a special dividend is authorized clerically.

a. When it is necessary to reverse any of the actions.

Contra accounts-credit UID (52), Matured Contracts Payable (13), Dividend Credits and Deposits-Established Current Fiscal Year (II), MTC (39) or Unapplied Collections-Offsets (16).

Contra account-debit the account previously credited.

Forms Used:

VA Forms 29-394

|          |                    |
|----------|--------------------|
| 29-5893a | <b>29-8523(03)</b> |
| 29-5894a | <b>29-8525(05)</b> |
| 29-5894b | <b>29-8526(06)</b> |
| 29-5895a | 29-8527(07)        |
| 29-5897a | 29-8528(08)        |

**DIVIDENDS- 19\_\_SPECIAL-OVERPAYMENTS-(57)**

DEBIT

CREDIT

**a.** When it is necessary to reverse any of the credit special dividend is

**a.** When an overpayment of a

actions.

discovered and a lien is established.

Contra account-credit the account previously deb-

Contra account-debit Policy Liens-  
Established Cur  
rent Fiscal Year (08).

ited.

Forms Used:

VA Forms 29-394

|          |                    |
|----------|--------------------|
| 29-5893a | <b>29-8523(03)</b> |
| 29-5894a | <b>29-8525(05)</b> |
| 29-5894b | <b>29-8526(06)</b> |
| 29-5895a | 29-8527(07)        |
| 29-5897a | 29-8528(08)        |

**FACE AMOUNT-UNPAID MATURED CONTRACTS AND TRANSFERRED ACCOUNTS-(51)**

DEBIT

CREDIT

**a.** When a contract matures in death cases or matured endowment for the face amount of the policy.

**a.** When it is necessary to reverse any of the debit actions.

Contra accounts-credit MTC (39) or Matured Contracts Payable (13).

Contra account-debit the account previously credited.

Forms Used:

VA Forms 29-5897a

29-8527(07)

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**INTEREST ON DIVIDEND CREDITS AND DEPOSITS-(40)**

DEBIT

a. When interest is added to a dividend credit or deposit account.

Contra account-credit MTC (39).

Forms Used:

VA Forms **29-5894a**, Blocks **65-76** only.

29-5897a  
**29.8525(05)**  
**29-8527(07)**

CREDIT

a. When it is necessary to reverse any of actions.

Contra account-debit MTC (39).

INTEREST ON POLICY LIENS-CASH COLLECTIONS-(26)

DEBIT

a. Only when processing an uncollectible remittance.

Contra account-credit UIC (38).

Forms Used:

VA Forms **29-5894a**, Blocks **65-76** only.

**29-8525(05)**

Contra account-debit MTC (39).

CREDIT

a. When lien interest paid by transfer of from another fund.

INTEREST ON POLICY LIENS-OFFSETS-(27)

DEBIT

a. When necessary to reverse any of the credit actions.

Contra account-credit account previously debited.

Forms Used:

VA Forms **29-5894a**, Blocks **65-76** only.

**29-8525(05)**

CREDIT

a. When lien interest paid by transfer of from the same fund.

Contra account-debit MTC (39).

INTEREST ON POLICY LOANS-CASH COLLECTIONS-(22)

DEBIT

a. Only when processing an uncollectible remittance.

Contra account-credit UIC (38).

Forms Used:

VA Forms 29-5894a, Blocks **65-76** only.

**29.8525(05)**

CREDIT

a. When loan interest paid by transfer of from another fund.

Contra account-debit MTC (39).

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INTEREST ON POLICY LOANS-OFFSETS-(23)

| DEBIT                                                                        | CREDIT                                                     |
|------------------------------------------------------------------------------|------------------------------------------------------------|
| a. When necessary to reverse any of the credit transfer of a credit actions. | a. When loan interest paid by                              |
| from the same fund.                                                          |                                                            |
| Contra account-credit accounts previously debited.                           | b. When interest is capitalized (added to loan principal). |
| Forms Used:                                                                  |                                                            |
| VA Forms 29-5894a, Blocks <b>65-76</b> only.                                 | Contra account-debit MTC (39).                             |
| <b>29-8525(05)</b>                                                           |                                                            |

INTEREST ON PREMIUMS IN ARREARS-CASH COLLECTIONS-(24)

| DEBIT                                                             | CREDIT                           |
|-------------------------------------------------------------------|----------------------------------|
| a. Only when processing an uncollectible remittance transfer of a | a. When premium interest paid by |
|                                                                   | credit from another fund.        |
| Contra account-credit UIC (38).                                   |                                  |
| Forms Used:                                                       | Contra account-debit MTC (39).   |
| VA Forms 29-5893a, Blocks <b>65-76</b> only.                      |                                  |
| <b>29-8523(03)</b>                                                |                                  |

INTEREST ON PREMIUMS IN ARREARS-OFFSETS-(25)

| DEBIT                                                                 | CREDIT                           |
|-----------------------------------------------------------------------|----------------------------------|
| a. When necessary to reverse any of the credit transfer of a actions. | a. When premium interest paid by |
|                                                                       | credit from the same fund.       |
| Contra account-credit accounts previously debited.                    | Contra account-debit MTC (39).   |
| Forms Used:                                                           |                                  |
| VA Forms 29-5893a, Blocks <b>65-76</b> only.                          |                                  |
| <b>29-8523(03)</b>                                                    |                                  |

MATURED CONTRACTS PAYABLE-(I 3)

| DEBIT                                                                 | CREDIT                             |
|-----------------------------------------------------------------------|------------------------------------|
| a. When it is necessary to reverse any of the credit matured actions. | a. For the net amount payable on a |
|                                                                       | contract.                          |

Contra account-credit accounts previously debited. Contra accounts-debit MTC (39) and/or Face Amount-Unpaid Matured Contracts (51).

Forms Used:

VA Forms 29-5897a

29-8527(07)

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Change I

MISCELLANEOUS TRANSACTION CONTROL-(39)

DEBIT

CREDIT

a. When an entire accounting transaction cannot be completed on one input document.

a. When an entire accounting transaction will be completed on one input document.

This account will be debited for all credit transactions which do not have a contra debit entry to some other account. have a contra credit entry to some other account.

b. Also when the limitations placed on an individual input card require use of an interim account, to go from one part of the input card to the other.

Forms Used:  
Used on all forms

POLICY LIENS-BASIC ACCOUNT-(05)

DEBIT

CREDIT

a. When lien is transferred from off-tape file.

a. When lien is transferred to another

b. When lien is received from another office.

b. When it is necessary to reverse actions.

c. When lien is Discovered which was Lost in 1954 when lien accounts were placed under general ledger control.

Contra account-debit Accountability

Contra account-credit Accountability (21).

Forms Used:  
VA Forms 29-5894a, Blocks 53-64 only.  
29.8525(05)

POLICY LIENS-CASH COLLECTIONS-(06)

DEBIT

CREDIT

- a. Only when processing uncollectible remittance.

Contra account-credit UIC (38).

Forms Used:  
VA Forms 29-5894a, Blocks 53-64 only.  
29-8525(05)

- a. When applying remittance or credit to a different fund.

Contra account-debit the account from which the credit is taken or MTC (39).

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**M29-1, Part II  
Change 1**

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**POLICY LIENS-OFFSETS-(07)**

DEBIT                      CREDIT

- a. When it is necessary to reverse any of the credit actions.                      the same fund.                      a. When lien is repaid in full or in part by a credit in actions.
- Contra account-credit MTC (39).                      Contra account-debit MTC (39).

Forms Used:  
VA Forms 29-5894a, Blocks 53-64 only.  
29-8525(05)

**POLICY LIENS-ESTABLISHED CURRENT FISCAL YEAR-(08)**

DEBIT                      CREDIT

- a.                      When existing lien is increased.                      a. When it is necessary to reverse any of the debit actions.
- b.                      When new lien is established.                      Contra account-debit MTC (39).
- c.                      When lien interest is capitalized.

Contra account-credit MTC (39) or other control account involved.

Forms Used:  
VA Forms 29-5894a, Blocks 53-64 only.  
29-8525(05)

**POLICY LOAN-BASIC ACCOUNT-(01)**

DEBIT

CREDIT

- a. When loan is transferred from off-tape file. another office.
- b. When loan is received from another office. any of the debit actions.
- c. When loan is Discovered which was Lost during 1954 when loan accounts were placed under general Accountability (21). ledger control.

- a. When loan is transferred to
- b. When it is necessary to reverse
- Contra account-debit

Contra account-credit Accountability (21).

Forms Used:  
VA Forms 29-5894a, Blocks 53-64 only.  
29-8525(05)

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M29-1, Part II

Change I

POLICY LOANS-CASH COLLECTIONS-(02)

DEBIT

CREDIT

- a. Only when processing uncollectible remittance. Contra account-credit UIC (38).

- a. When applying remittance or credit to a different fund. Contra account-debit the account from which credit is taken or MTC (39).

Forms Used:  
VA Forms 29-5894a, Blocks 53-64 only.  
29-8525(05)

POLICY LOANS-OFFSETS-(03)

DEBIT

CREDIT

- a. When it is necessary to reverse any of the credit actions.

- a. When loan is repaid in full or in part in the same fund.

Contra account-credit MTC (39).

Contra account-debit account previously

Forms Used:

VA Forms 29-5894a, Blocks 53-64 only.  
29-8525(05)

& POLICY LOANS-MADE CURRENT FISCAL YEAR-(04)  
w DEBIT CREDIT

a. When new loan is made or when increased loan is made.

a. When it is necessary to reverse an action.

Contra account-if new loan is made and only cash Contra account-debit account previously credited.  
involved credit UID (52); otherwise, credit MTC (39).

b. When loan interest is capitalized.

Contra account-credit MTC (39).

Forms Used:  
VA Forms 29-5894a, Blocks 53-64 only.  
29-8525(05)

24-25

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Change 1

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PREMIUMS-CASH COLLECTIONS-(31)

DEBIT CREDIT

a. Only when processing an uncollectible remittance. a. When premium is paid by a credit from another fund.

Contra account-credit UIC (38).

Contra account-debit account from which credit

Forms Used: received or MTC (39).

VA Forms 29-5893a, Blocks 53-64 only.  
29.8523(03)

PREMIUMS-OFFSETS-(32)

DEBIT                      CREDIT

a.                      When it is necessary to reverse any of the credit                      a. When premiums are paid by a  
credit from another                      account in the same fund or appropriation.  
actions.

Contra account-credit account previously debited.                      Contra account-debit account from which credit  
received or MTC (39).

Forms Used:

VA Forms 29-5893a, Blocks **53-64** only.

**29-8523(03)**

29-8527(07)

PREMIUMS-PURCHASE OF EXTENDED OR PMD-UP INSURANCE (33)

DEBIT                      CREDIT

a. When it is necessary to reverse any of the credit                      a. When the net amount of reserve plus dividend  
actions; i.e., reinstatement.                      deposit is applied to purchase of paid-up or extended  
insurance.

Contra accounts-credit Reserve Applied-(Policy  
Surrendered for Paid-Up or Extended Insurance) (**55**)                      Contra accounts-debit Reserve Applied-(Policy  
Surrendered for Paid-Up or Extended Insurance) (**55**) or  
or MTC (39).MTC (39).

Forms Used:

VA Forms 29-5893a, Blocks **53-64** only.

29-5897a

**29-8523(03)**

29-8527(07)

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PREMIUMS-REFUNDED OR TRANSFERRED-(34)

DEBIT

CREDIT

a.                      When unearned premiums and/or overages are  
refunded or transferred.

a. When it is necessary to reverse any of  
actions.

Contra accounts-credit UID (52), MTC (39), or the Contra account-debit account previously credited.  
account to which the credit is transferred.

Forms Used:

VA Forms 29-5893a, Blocks 53-64 only.  
29-8523(03)

PREMIUMS-TDIP-CASH COLLECTIONS-(35)

DEBIT

a. Only when processing an uncollectible remittance.

Contra account-credit UIC (38).

credit

Forms Used:

VA Forms 29-5894b, Blocks 53-64 only.  
29-8523(03)  
29-8531(11)

CREDIT

a. When TDIP premium is paid by a credit to another fund.

Contra account-debit account from which

received or MTC (39).

PREMIUMS-TDIP-OFFSETS-(36)

DEBIT

a. When it is necessary to reverse any of the credit actions.

Contra account-credit account previously debited.

Forms Used:

VA Forms 29-5894b, Blocks 53-64 only.  
29-8523(03)  
29-8531(11)

CREDIT

a. When TDIP premium is paid by a credit to another account in the same fund or approved.

Contra account-debit account from which received or MTC (39).

PREMIUMS-TDIP REFUND))-(37)

DEBIT

a. When unearned TDIP premiums and/or overages are refunded or transferred.

Contra accounts-credit UID (52), MTC (39), or the Contra account-debit account previously credited.  
account to which the credit is transferred.

Forms Used:

VA Forms 29-5894b, Blocks 53-64 only.  
29-8523(03)  
29-8531(11)

CREDIT

a. When it is necessary to reverse any of the credit actions.

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**RESERVE APPLIED-(POLICY SURRENDERED FOR PAID-UP OR EXTENDED INSURANCE)-(55)**

DEBIT            CREDIT

a. When the reserve is applied for paid-up insurance or when an account is placed under extended insurance.

a. When it is necessary to reverse any of the debit actions.

Contra account-credit the account to which the credit is applied or MTC (39).

Contra account-debit the account previously credited.

Forms Used:

|                                 |                    |
|---------------------------------|--------------------|
| VA Forms 29-5893a               | <b>29-8523(03)</b> |
| 29-5897a            29-8527(07) |                    |

**SURRENDER VALUES-(53)**

DEBIT            CREDIT

a. When processing a cash surrender, conversion, reduction of permanent plan or change of permanent plan for the amount of the reserve.

a. When it is necessary to reverse any of the debit actions.

Contra accounts-debit UID **(52)** or MTC (39).

Contra accounts-credit UID **(52)** or MTC (39).

Forms Used:

|                                 |                    |
|---------------------------------|--------------------|
| VA Forms 29-5893a               | <b>29-8523(03)</b> |
| 29-5897a            29-8527(07) |                    |

**SURRENDER VALUES-OVERPAYMENTS-LIENS-(54)**

DEBIT            CREDIT

**a.** When it is necessary to reverse any of the credit actions discovered on a previous actions.

a. When an overpayment is surrendered and a lien is established.

Contra account-credit Policy Liens-Established Current Fiscal Year (08).

Contra account-debit Policy Liens-Established Current Fiscal Year (08).

Forms Used:

VA Forms 29-5894a  
**29.8525(05)**

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**UNAPPLIED COLLECTIONS-BASIC ACCOUNT-(14)**

**a. When it is necessary to reverse any of the credit actions.**

**Contra account-credit accounts previously debited.**

**Forms Used:**

VA Forms 29-5985a  
29-8526(06)

**a. When a previous suspense item is pending transaction tape.**

**Contra account-debit Accountability (21).**

**UNAPPLIED COLLECTIONS-CASH COLLECTIONS-(15)**

DEBIT

**a. Only when processing an uncollectible remittance previously established as a pending transaction.**

**Contra account-credit UIC (38).**

**Forms Used:**

VA Forms 29-5895a  
29-8526(06)

CREDIT

**a. When the amount of an unapplied received from another fund.**

**Contra account-debit MTC (39).**

**UNAPPLIED COLLECTIONS-OFFSETS-(16)**

DEBIT

**a. When it is necessary to reverse any of the credit actions.**

**Contra account-credit account previously debited.**

**Forms Used:**

VA Forms **29-5895a**  
29.8526(06)

CREDIT

**a. When the amount withheld from v ment accounts is established as a pend**

**Contra account-debit MTC (39) or th which withheld.**

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**UNAPPLIED COLLECTIONS-WITHDRAWN OR APPLIED-(I 7)**

**DEBIT**

**a. When an item is removed from the pending transaction tape to be applied to another control account.**

**Contra account-credit MTC (39).**

**b. When refunding an unapplied collection.**

**Contra account-credit UID (52).**

Forms Used:

|                   |             |
|-------------------|-------------|
| VA Forms 29-5895a | 29.8526(06) |
| <b>29-5897a</b>   | 29-8527(07) |

**CREDIT**

**a. When it is necessary to reverse any of the debit actions.**

**Contra account-debit account previously credited**

**UNASSOCIATED COLLECTIONS-CASH COLLECTIONS-(18)**

**DEBIT                      CREDIT**

**Not used on input; system credits this account automatically and debit is posted from VA Form 29A499 outside the system.**

**UNASSOCIATED COLLECTIONS OFFSETS**

**DEBIT**

**CREDIT**

**This account not used on any input document.**

**UNASSOCIATED COLLECTIONS-WITHDRAWN OR APPLIED-(20)**

**DEBIT**

**CREDIT**

- a. **When Unassociated remittance is identified and applied to wrong applied to a specific account.**
- a. **When remittance previously applied to wrong account is established as Unassociated.**

**Contra account-credit account to which remittance is applied or MTC (39).**

**Contra account-debit account to which remittance was previously applied or MTC (39).**

Forms Used:

|                   |                    |
|-------------------|--------------------|
| VA Forms 29-5893a | 29-8523(03)        |
| <b>29-5894a</b>   | 29.8525(05)        |
| <b>29-5894b</b>   | 29-8526(06)        |
| <b>29-5895a</b>   | <b>29.8527(07)</b> |
| <b>29-5897a</b>   |                    |

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**M29-**

**UNDELIVERED CHECKS AND PAYMENTS DUE- (09)**

**DEBIT**

**CREDIT**

- a. When payment is made of an amount previously established as a liability.

- a. When a dividend or refund cannot be paid address is not known.

Contra account-credit MTC (39) or other appropriate account.

Contra account-debit MTC (39) or other appropriate account from which credit is taken.

Forms Used:

|                   |                    |
|-------------------|--------------------|
| VA Forms 29-5893a | <b>29-8523(03)</b> |
| <b>29-5894a</b>   | <b>29-8525(05)</b> |
| <b>29-5894b</b>   | <b>29-8526(06)</b> |
| <b>29-5895a</b>   | 29-8527(07)        |
| 29-5897a          |                    |
| <b>29-8328</b>    |                    |

*NOTE: Input documents debiting or crediting this account must clear from the ADP Control Unit*

**UNDISTRIBUTED INSURANCE COLLECTIONS-(38)**

**DEBIT**

**CREDIT**

- a. This account will not be debited on an input document.

- a. Only when processing an uncollectible remittance Contra account-debit cash collection account

Forms Used:

which credit is being removed.

|                          |                    |
|--------------------------|--------------------|
| VA Forms <b>29-5893a</b> | <b>29-8523(03)</b> |
| <b>29-5894a</b>          | <b>29-8525(05)</b> |
| <b>29-5894b</b>          | <b>29-8526(06)</b> |
| <b>29-5895a</b>          |                    |

UNDISTRIBUTED INSURANCE DISBURSEMENTS-(52)

DEBIT

CREDIT

a. When it is necessary to cancel a disbursement.

a. When a refund will be made on VA Form

Contra account credit the account previously debited.

b. When a transfer is made to an off-tape account.

c. When a disbursement is being made outside the system.

Forms Used:

VA Forms 29-394

|                 |                    |
|-----------------|--------------------|
| <b>29-5893a</b> | <b>29-8523(03)</b> |
| <b>29-5894a</b> | <b>29-8525(05)</b> |
| <b>29-5895a</b> | <b>29-8526(06)</b> |
| <b>29-5897a</b> | <b>29-8527(07)</b> |
|                 | <b>29-8528(08)</b> |

Contra accounts-debit Policy Loans-Made C Fiscal Year (04), Unapplied Collections-Wit or Applied (17), Premiums-Refunded or Tra **(34)**, Premiums-TDIP-Refunded or Transfer **(37)**, Dividend Accounts **(45)**, **(47)**, **(49)**, **(50)** MTC (39).

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VARIANCE-OVERAGE-CASH COLLECTIONS-(28)

DEBIT

CREDIT

a. Only when remittance previously applied is uncollectible.

a. When the excess of a remittance or credit from another fund is less than \$ I over the amount required to pay a loan or lien, credit this account for the excess.

Contra account-credit UIC (38).

Forms Used:

VA Forms 29-5894a

**29-8525(05)**

Contra account-debit the account from which credit received or MTC (39).

VARIANCE-SHORTAGE-(29)

DEBIT

CREDIT

a. When the remittance or credit received is less than \$1 short of the amount required to pay the loan or lien. a. When necessary to reverse any of the debit actions.

Contra account-debit account previously credited.

Contra accounts-credit Policy Loans-Offsets (03), Interest on Policy Loans-Offsets (23), Policy Liens Offsets (07) or Interest on Policy Liens-Offsets (27).

b. When insured requests credit amount previously transferred to variance be refunded or applied to his credit.

Contra account-credit account to which credit applied or UID (52).

Forms Used:

VA Forms 29-5894a 29-8525(05)  
29-5897a 29-8527(07)

**VARIANCE-OVERAGE-OFFSETS-(30)**

DEBIT

CREDIT

a. When it is necessary to reverse any of the credit actions. a. When the excess of a credit received from another account in the same fund is less than \$ 1 over the amount required to pay a loan or lien, credit this Contra account-credit MTC (39). account for the excess.

Forms Used:

VA Forms 29-5894a 29-8525(05)  
29-5897a 29-8527(07)

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**WAIVERS-RECEIVABLES AND LIENS-(41)**

DEBIT

CREDIT

a. Only when the Administrator waives payment of alien.

a. Normally credit entries to this account made.

Contra account-credit Policy Liens-Offsets (07).

Forms Used:

VA Forms 29-5894a 29-8525(05)

WAIVERS-PREMIUMS-(58)

DEBIT

a. Amount of premiums waived-Nonreimbursable.

Contra account Premium-Offsets (32).

Forms Used:

|                          |                    |
|--------------------------|--------------------|
| VA Forms <b>29-5893a</b> | <b>29-8523(03)</b> |
| 29-5897a                 | <b>29-8527(07)</b> |

CREDIT

a. Normally credit entries to this account made.

WAIVERS-PREMIUMS-REIMBURSABLE-(59)

DEBIT

a. Amount of premiums which are reimbursable.

Contra account Premium-Offsets (32).

Forms Used:

|                   |                    |
|-------------------|--------------------|
| VA Forms 29-5893a | <b>29-8523(03)</b> |
| 29-5897a          | <b>29-8527(07)</b> |

CREDIT

a. Normally credit entries to this account made.

WRITE-OFFS-POLICY LIENS-(42)

DEBIT

a. When policy lien is written off as uncollectible.

Contra account-credit Policy Liens-Offsets (07).

Forms Used:

|                          |                    |
|--------------------------|--------------------|
| VA Forms <b>29-5894a</b> | <b>29-8525(05)</b> |
|--------------------------|--------------------|

CREDIT

a. When it is necessary to reverse the debit.

Contra account-debit Policy Liens-Offsets

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POLICY LOANS-TRANSFERRED TO OTHER STATIONS-(62)

DEBIT

a. When a loan is transferred to another office.  
the debit action.

CREDIT

a. When it is necessary to reverse

Contra account-credit Policy Loans-Basic Account    Contra account-debit Policy Loans-Basic Account  
(01).                    (01).

Forms Used:

VA Forms 29-5894a, Blocks **53-64** only.

**29-8525(05)**

POLICY LOANS-RECEIVED FROM OTHER STATIONS-(63)

DEBIT                    CREDIT

a. When it is necessary to reverse the credit action.    **a.** When **a** loan is received from another office.

Contra account-credit Policy Loans-Basic Account    Contra account-debit Policy Loans-Basic Account  
(01).                    (01).

Forms Used:

VA Forms 29-5894a, Blocks **53-64** only.

**29-8525(05)**

POLICY LIENS-TRANSFERRED TO OTHER STATIONS-(64)

DEBIT                    CREDIT

**a.**                    When **a** lien is transferred to another office.                    **a.** When it is necessary to reverse  
the debit action.

Contra account-credit Policy Liens-Basic Account    Contra account-debit Policy Liens-Basic Account  
(05).                    (05).

Forms Used:

VA Forms 29-5894a, Blocks **53-64** only.

**29-8525(05)**

POLICY LIENS RECEIVED FROM OTHER STATIONS-(65)

DEBIT                    CREDIT

a. When it is necessary to reverse the credit action.    a. When a lien is received from another office.

Contra account-credit Policy Lien-Basic Account    Contra account-debit Policy Lien-Basic Account  
(05).                    (05).

Forms Used:

VA Forms 29-5894a, Blocks **53-64** only.

**29-8525(05)**

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**DIVIDEND CREDITS AND DEPOSITS-TRANSFERRED TO OTHER**

STATIONS-(66)

DEBIT

CREDIT

a. When dividend credit or deposit is transferred to another office.

a. When it is necessary to reverse the

Contra account-credit Dividend Credits and Deposits-Basic Account (10).

Contra account-debit Dividend Credits and Deposits-Basic Account (10).

Forms Used:

VA Forms 29-5894a, Blocks 53-64 only.  
**29-8525(05)**

**DIVIDEND CREDITS AND DEPOSITS-RECEIVED FROM OTHER STATIONS-(67)**

DEBIT

CREDIT

a. When it is necessary to reverse the credit action.

a. When dividend credit or deposit is transferred to another office.

Contra account-credit Dividend Credits and Deposits-Basic Account (10).

Contra account-debit Dividend Credits and Deposits-Basic Accounts (10).

Forms Used:

VA Forms 29-5894a, Blocks 53-64 only.  
**29-8525(05)**

**FACE AMOUNT TRANSFERS-TRANSFERRED TO OTHER STATIONS-(68)**

DEBIT

CREDIT

a. When it is necessary to reverse the credit action. a. When a contract is transferred to another office.

Contra account-credit Face Amount-Unpaid Matured Contracts and Transferred Accounts (51).

Contra account-debit Face Amount-Unpaid Matured Contracts and Transferred Accounts (51).

Forms Used:

VA Forms 29-5897a  
**29-8527(07)**

**FACE AMOUNT TRANSFERS-RECEIVED FROM OTHER**

STATIONS-(69)

DEBIT

CREDIT

a. When a contract is received from another office. a. When it is necessary to reverse the debit action.

Contra account-credit Face Amount-Unpaid Matured Contracts and Transferred Accounts (51).

Contra account-debit Face Amount-Matured Contracts and Transferred Accounts (51).

Forms Used:  
VA Forms 29-5897a  
**29-8527(07)**

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**UNAPPLIED COLLECTIONS-TRANSFERRED TO OTHER STATIONS-(70)**

DEBIT                      CREDIT

a.                      When it is necessary to reverse the credit action.                      a. When an unapplied collection is transferred to another office.

Contra account-credit Unapplied Collections-Basic Account (14).                      Contra account-debit Unapplied Collections-Basic Account (14).

Forms Used:  
VA Forms 29-5895a  
**29.8526(06)**

**UNAPPLIED COLLECTIONS RECEIVED FROM OTHER STATIONS-(71)**

DEBIT                      CREDIT

a. When an unapplied collection is received from another office.                      a. When it is necessary to reverse the debit action.

Contra account-debit Unapplied Collections-Basic Account (14).                      Contra account-credit Unapplied Collections- Basic Account (14).  
Account (14).

Forms Used:  
VA Forms 29-5895a  
**29-8526(06)**

**24.07    EXAMPLES OF CONTROL ACCOUNT ENTRIES USED ON INPUT DOCUMENTS**

**a. Pending Transactions**

(1) When deleting pending transactions for records on tape involving general ledger accounts in the same fund other than uncollectible remittances, debit Unapplied Collections-Withdrawn or Applied (17) and credit Miscellaneous Transaction Control (39).

(2) When completing the posting transactions on VA Form 29-5893a/29-5894a or **29-8523(O3)/29-8525(O5)**, involving the pending transactions mentioned above, complete the control account field of the proper input document as follows:

- (a) Debit MTC account (39).
- (b) Credit the offsets control account involved. (Premiums-Offsets, Policy Loans-Offsets, etc.)

(3) When deleting a pending transaction involving general ledger accounts (either in the same or different funds) and the pending transaction is an uncollectible remittance, debit Unapplied Collections-Cash Collections (15) and credit Undistributed Insurance Collections (38).

(4) When deleting pending transactions involving general ledger accounts (either in the same or different funds), and the pending transaction is applied to an off-tape record or is refunded, debit the Unapplied Collections-Withdrawn or Applied (17). Credit Undistributed Insurance Disbursements (52) in the same fund as the debit account. When completing the accounting actions involving refunds, repayments of off-tape liens in different funds or premiums for K policies, debit the Undistributed Insurance Disbursements (52) and credit the appropriate cash account. These transactions are shown on SF 1081 or VA Form 4-1423.

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(5) When suspense amounts are located on VA Form 9-361, Premium Record Card, after the accounts have been converted to tape, prepare VA Form 29-5895a or 29-8526(06) to insert the money involved as a pending transaction. Complete the control account fields to show a debit to Accountability (21), and a credit to Unapplied Collections-Basic Account (14). Forward all input documents, premium record cards, and related material to the Voucher Audit activity for review and verification.

(6) When a pending posting transaction is received and the transaction is not identified with a policy prefix and number, the amount of transaction is deposited in the V fund. A payment identified with a policy prefix and number is deposited in the fund indicated by the policy prefix. When any part or all of a pending posting transaction (cash collections) or an amount of a payment previously applied is being withdrawn and requires an interfund transfer, the cash collections accounts will be used as shown in the following examples:

(a) A 201 pending posting transaction has not been identified with a policy number. The amount of the pending transaction is \$25 and it is intended for application of \$ 15 to V and \$ 10 to K policy.

| Trans. Type | Amount  | Control Account Entries |           |
|-------------|---------|-------------------------|-----------|
| 098         | \$25.00 | DR 1-(IS)               | CRI-39    |
| 083-V       | 15.00   | DR 1-39                 | CR 1-(31) |
| 083-K       | 10.00   | DR 1-39                 | CR 5-(31) |

(b) A 201 pending posting transaction is shown with no policy number or a V policy number. The payment is for \$6 and is intended for premiums on the insured's RS policy.

| Trans. Type | Amount  | Control Account Entries |          |
|-------------|---------|-------------------------|----------|
| 098         | \$ 6.00 | DR I-(IS)               | CRI-39   |
| 083         | 6.00    | DR 1-39                 | CR2-(31) |

(c) An RPO is generated on an insured with an FV number, and there are policies issued under V and RH numbers. An adjustment is necessary to prevent lapse of the RH policy, and input is prepared to use overages on amounts which were erroneously applied to the V policy.

| Trans. Type      | Amount  | Control Account Entries |           |
|------------------|---------|-------------------------|-----------|
| 083-V (downdate) | \$ 6.00 | DR 1-(31)               | CR 1-39   |
| 083-RH (update)  | 6.00    | DR 1-39                 | CR 3-(31) |

(d) There is a 201 pending posting transaction which is identified with a V policy number or with no policy identification. The amount of the pending transaction of \$34 is intended for application as follows: \$4 TDW premium on V account, \$10 to life premium on V account, \$6 to life premium on K account, \$14 to life premium on J account.

| Trans- Type          | Amount         | Control Account Entries |               |
|----------------------|----------------|-------------------------|---------------|
| <b>098</b>           | <b>\$34.00</b> | <b>DR I-(I S)</b>       | <b>CRI-39</b> |
| 083-(V-Life Premium) | 10.00          | DR 1-39                 | CR 1-(31)     |
| 087-(V-TDW)          | 4.00           | DR 1-39                 | CR 1-(3S)     |
| 083-J                | 14.00          | DR 1-39                 | CR7-(31)      |
| 083-K                | 6.00           | DR 1-39                 | CRS-(31)      |

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(e) A 201 pending posting transaction of \$14 is identified with an RH policy number. The payment is to be applied \$5 to RH and \$9 to K.

| Trans. Type | Amount  | Control Account Entries |          |
|-------------|---------|-------------------------|----------|
| 098         | \$14.00 | DR 3-(IS)               | CR3-39   |
| 083 (RH)    | 5.00    | DR 3-39                 | CR3-(31) |
| 083 (K)     | 9.00    | DR 3-39                 | CRS-(31) |

(f) A 300 pending posting of \$400 does not show policy number identification. The payment is to be applied as follows: \$200 to loan on a V policy and \$200 to loan on a K policy.

| Trans. Type | Amount   | Control Account Entries |           |
|-------------|----------|-------------------------|-----------|
| 098         | \$400.00 | DR I-(IS)               | CR 1-39   |
| 008 V       | 200.00   | DR 1-39                 | CR 1-(IS) |
| 008 K       | 200.00   | DR 1-39                 | CR 5-(IS) |

NOTE: Transfers of moneys having i, JR or is prefixes [will not be made as outlined in the above samples.]

b. Loans. The accounting actions taken with a new or replacement loan are debiting of the Policy Loans-Made Current Fiscal Year (04) and crediting of the MTC (39). To complete the accounting actions on loans, debit MTC (39) and credit Undistributed Insurance Disbursements (52) when a check is sent the insured or deductions are made for off-tape records. When any deductions in the same fund are made from the amount of loan for on-tape records, debit MTC (39) and credit offset (Premiums-Offsets, Interest on Policy Loans Offsets, etc.).

*NOTE: If the action is a new loan and no offset action is involved, debit Policy Loans-Made Current Fiscal Year (04) and credit Undistributed Insurance Disbursements (52) on the VA Form 29-5894a or 29-8525(05).*

c. Cash Surrender

(1) Accounting actions for a cash surrender, where no deductions are subtracted from or no credits are added to the reserve value, are shown on VA Fond 29-5897a or 29-8527(07). Complete the control account fields of this form to show a debit to Surrender Values (53) and a credit to Undistributed Insurance Disbursements (52).

(2) When deductions are made from the reserve value to liquidate indebtedness, debit MTC (39) and credit the offsets account which is to receive the deduction. When credits (unearned premiums, dividends, etc.) are included in the surrender, debit the general ledger accounts involved together with the surrender value account. Credit Undistributed Insurance Disbursements (52) if a check is mailed the insured.

d. Death Cases

(1) When processing a death case when no indebtedness is deducted from or credits added to the settlement, prepare VA Form 29-5897a or 29-8527(07) to make final adjustment of general ledger accounts and purge the master record. Debit Face Amount-Unpaid Matured Contracts and Transferred Accounts (51) and credit Matured Contracts Payable (13).

(2) When amounts are deducted from the settlement to pay premium, loan, or lien indebtedness, prepare VA Forms 29-5893a/29-5894a or 29-8523(03)/29-8525(05) to reflect payment of such indebtedness. Debit MTC (39) in all instances. Credit Premiums-Offsets (32) on VA Form 29-5893a to reflect payment of premium(s) and/or premium shortages. Credit Policy Loans-Offsets (03) and Interest on Policy Loans-Offsets (23) on VA Form 29-5894a or 29-8525(05) to reflect payment of loan principal and interest. Credit Policy Liens-Offsets (07) and Interest on Policy Liens-Offsets (27) on VA Form 29-5894a or 29-8525(05) to reflect payment of the lien balance and interest.

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(3) When amounts are included in the settlement, prepare VA Forms 29-5893a and/or 29-5894a or **29-8523(03)** and/or **29-8525(05)** to adjust the premium and/or optional segments. Credit MTC (39) in all instances. Debit Premiums-Refunded or Transferred (34) on VA Form 29-5893a or **29-8523(03)** when premiums (unearned premiums, premium credits and pure insurance risk credits) are included in the settlement. Debit Premiums-TDIP-Refunded (37) on VA Form 29-5894b or **29-8523(03)** when including unearned TDIP premiums in the settlement. Debit Dividend Credits/Deposits-Withdrawn or Applied (12) and Interest on Dividend Credits/Deposits (40) on VA Form 29-5894a or **29-8525(05)** when including dividend credit/deposit principal and interest.

(4) When the amount of a pending posting or disbursement transaction is included in the settlement, prepare VA Form 29-5895a or **29-8526(06)** to delete the pending transaction. Debit Unapplied Collections-

Withdrawn or Applied (17) and credit MTC (39). Prepare VA Form **29-5893a/29-8523(03)** or 29-5897a/29-8527(07) to debit MTC (39) and credit Premiums-Offsets **(32)**.

(5) Prepare VA Form 29-5897a or 29-8527(07) to make final adjustment of the general ledger accounts involved and to delete the master record. Debit Face Amount-Unpaid Matured Contracts and Transferred Accounts (51) for the face amount of the policy. Debit or credit the net amount applied to MTC (39), as appropriate, to balance this account and credit Matured Contracts Payable (13).

e. Matured Endowments. When processing applications for lump-sum payments of matured endowments involving indebtedness, debit MTC (39) and credit the offset account involved. When credits such as dividend credit, dividend credit interest or premium overage are included in the settlement, debit the general ledger accounts involved together with the Face Amount-Unpaid Matured Contracts and Transferred Accounts (51). Credit the Matured Contracts Payable (13) to affect final settlement.

f. Liability Accounting

(1) Insurance Record on Tape. Whenever account 09 is debited or credited on an insurance input document, there must be a contra entry to the 09 account on the liability account input document.

EXAMPLE: Insurance input shows a *debit* to the 09 account and a *credit* to the appropriate general ledger account(s) to which the money is being applied. Liability input must be prepared to show a credit to the 09 account.

EXAMPLE: Liability input shows a *debit* to the 09 account. Insurance input must show a *credit* to the 09 account and a *debit* to the appropriate general ledger account(s).

(2) Insurance Record Not on Tape. Whenever account 09 is debited or credited on the liability input, the source document forwarded to Finance and Data Processing Division will reflect a contra entry to the 09 account.

#### 24.08 VA FORM **29-1610**, TRANSFER WORKSHEET

a. VA Form 29-1610 is used for interfund (between funds) or intrafund (within funds) transfers from on-tape to off-tape records. Transactions processed in run 140, which require these types of transfers, are controlled through the undistributed insurance disbursements general ledger account. VA Form 29-1610 must be prepared for these transactions and accompany the input documents. When preparing VA Form 29-1610, use the two digit ADP general ledger account number codes in place of written titles.

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b. Interfund transfers must be summarized on SF 1081, Voucher and Schedule of Withdrawal and Credits, before they are sent to the Accounting Section, Finance and Data Processing Division, for ledger

posting. For specific instructions to prepare and process VA Forms 29-1610, refer to the section of the manual pertaining to the type of action involved.

c. Transfer of moneys between J, JR and JS only is no longer considered interfund. Run 130 has been modified to allow a credit to an *offset account* when the debit and credit funds are different and are within the J, JR, JS accounts.

EXAMPLE: DR 7-39 (MTC)      CR **8-32** Offset (Premium)

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CHAPTER 25. MISCELLANEOUS TRANSACTION CONTROL LISTS (RUN 824)

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## CHAPTER 25. MISCELLANEOUS TRANSACTION CONTROL LISTS (RUN 824)

### 25.01 GENERAL

a. **The MTC**, Miscellaneous Transaction Control Account, is controlled and maintained on tape. **The MTC** record tape file is processed in run 150 and updated by all processed transactions which debit or credit MTC (39).

b. New **MTC** control records are established when, for each master record, file maintenance transaction debit and credit postings to the **MTC** account are not equal. Existing **MTC** records are deleted from the tape when file maintenance transactions are processed which balance the **MTC** control records.

c. At the end of each calendar month, the **MTC** record tape is processed in run 824. **All MTC** records on tape are listed. The listing with the related punched cards are separated according to the originating element indicated in cc (card column) 80 of the punched card sent to each element. The data processing center makes the separation and distribution of the list and the cards. Copies are also sent to the Resident Auditors of the Department of Data Management and to the Administrative Accounting and Control Unit, Finance and Data Processing Division.

d. It is the responsibility of each section in the Insurance Division to process and control all MTC out-of-balance transactions under its jurisdiction.

e. When circumstances prevent normal adjustment of the **MTC** account with input cards in run 140, a VA FL 29-652, Off-Tape Adjustment of General Ledger Accounts, will be prepared and sent to the Chief, Accounting Section, Finance and Data Processing Division, explaining the action desired.

f. Each month all insurance sections will submit a report to the Insurance Officer on out-of-balance miscellaneous transaction control items identified on the monthly listing as MTC over 30, 60 and 90 days old. The report will contain an explanation on each case as to why the item has been out-of-balance over 30 days.

### 25.02 INITIAL PROCESSING BY GROUP SUPERVISORS

a. The reject list (runs 130-140) will be checked with the miscellaneous listing for the PDN (processing day number) following the DN (day number) of the last processing day of the month on which the MTC out-of-balance list was prepared. Determine which items appearing on the out-of-balance list have been corrected.

The **MTC** list will be noted opposite such items as are then in balance as Balanced on DN \_\_\_\_\_ (initials).

- b. The remaining out-of-balance **MTC** punched cards will be distributed to the clerical personnel.
- c. The **MTC** list will be retained for entry of adjustment actions taken.

### **25.03 CLERICAL PROCESSING**

a. A search will be made for any unprocessed rejects. If a reject is found, the input document that will place the account in balance will be processed. The inputs with the **MTC** punched cards will be given to the Group Supervisor for entry of input data on the **MTC** list.

b. If an unprocessed reject is not found, request the following:

(1) RPO(frozen).

(2) Transaction history lookup back to 30 days preceding the date the out-of-balance condition developed.

(3) Folder.

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c. An audit of the account will be made and the necessary inputs prepared to place the account in balance. If the master record is no longer on tape, or for some other reason the **MTC** account cannot be adjusted by the use of file maintenance inputs, a **VA** FL 29-652, Off-Tape Adjustment of General Ledger Accounts, will be prepared for the Insurance Control activity, Finance and Data Processing Division. The documents that have been prepared with the **MTC** punched card will be given to the Group Supervisor.

### **25.04 SECONDARY PROCESSING BY GROUP SUPERVISORS**

a. When the prepared documents and **MTC** cards are returned by the clerks, the **MTC** list will be noted opposite such items as are then in balance as Balanced on DN \_\_\_\_\_ (initials).

b. The input documents will be released.

c. Succeeding TD lists with the corresponding reject lists will be checked to make sure the corrective input has been accepted by the system.



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CHAPTER 26. SEMIANNUAL RUN 910

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## CHAPTER 26. SEMIANNUAL RUN 910

### 26.01 GENERAL

a. Run 910 is a semiannual editing and dividend rate inserting computer run. The June run only edits the master record. The December run edits and inserts the dividend rates in all the participating plans under NSLI and USGLI for the entire master record and 626 pending transactions.

b. Run 910 also verifies the sequence of the master records and the sequence of policies within the master record. [Also,] policies, whether participating or not, [ ] are checked for correct premium rates, life fund, plan, age and mode of payment. However, premium edits will not be made on [ ] JR, [with or without] TDIP[, and] JS accounts.

c. The system will generate VA Forms 29-5886a, RPO (Record Print Out) [or VA Form 29-5886b, Insurance Record Printout,] on those policies where it is unable to insert the dividend rate, where an error exists in the pending ~ dividend [including where the pending dividend is for reduced paid-up or extended insurance and does not match the plan on the master record] or where there is an error in the policy and/or life segment of the master record [including - where all or part of the date of birth is blank.]

d. The generated RPO's, with a copy of the error listing, will be sent to the chief of the appropriate Policy

Service Section by the data processing center. They will also send a copy of the error listing to the Chief, Technical Staff.

e. A listing and explanation of run 910 reason codes are included in MP-6, part II, supplement No. 1.4[, chapter 1.]

### 26.02 CLERICAL PROCESSING

a. When the generated RPO's and error listing are received in the Policy Service Section, the RPO's will be distributed to the Policy Service units for clerical action. One individual in each section will be designated to maintain the run 910 error listing to assure that all items are accurately processed. The error listing will be noted to reflect the date processing is completed or the date the item is referred to one of the other operating elements for processing.

b. When RPO's are received that indicate an error in the premium rate, life fund, plan, age or mode of payment, the insurance folder will be requested. When the insurance folder and RPO have been reviewed, the necessary input documents will be prepared to correct the error which exists in the master record.

c. When the reason codes indicate prior years' dividends have not been paid, the freeze will be removed from the master record. If the unpaid dividend was for the previous year's dividend, it will be automatically disbursed by the system after the freeze is removed.

d. If the unpaid dividend was for a year prior to the previous year, clerical action for payment of the dividend will be required. Dividends will be authorized only after a search has been made in the insurance folder, transaction listing and the microfilm reels of paid dividend cards. Voucher Audit Unit, Finance and Data Processing Division, will review and audit all clerically prepared dividend authorizations that are to be processed by the system. It may also be necessary to update the dividend year.

e. When RPO's are received with reason codes that indicate the pending dividend transaction is frozen or the plan of insurance is in error, VA Form 29-5895a, Pending Transaction Input Card, or [VA Form] 29-8526, Pending Transaction, transaction type 098, will be prepared to delete the pending transaction. VA Form 29-394, Dividend Transaction Input, or (VA Form] 29-8528, Paid Dividend/Dividend History, transaction type 626, with a T batch number, will be prepared to insert a corrected pending dividend transaction.

f. When RPO's are generated with reason codes that indicate the dividend rate is not included in the dividend table, the Policy Service Clerk will:

(I) Forward the RPO to the Computers, Miscellaneous Accounts and Service Unit, requesting the rate be furnished.

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(2) Upon receipt of the RPO with the dividend rate, and the rate is missing in the master record, VA Fond 29-5892a, Policy Input, or [VA Form] 29-8522, Policy, transaction type 082, will be prepared to insert the dividend rate. If the rate is missing in the pending transaction, VA Form 29-394 or 29-8528, transaction type 626, with a T batch number, will be prepared to insert a pending dividend transaction containing the rate and a VA Form 29-5895a or 29-8526, transaction type 098, to delete the pending dividend transaction that is without a rate.

g. The Supervisor of the Policy Service Unit will review and verify the accuracy of all the completed actions. All actions should be completed within 20 days. A followup will be made on all processed items after 10 workdays.

h. When all the actions have been completed, the generated and current RPO's will be delivered to the Chief, Policy Service Section, with the error listing. The error listing will be disposed of after 60 days.

i. A report showing a list of all RPO's by reason code and number received for each code will be sent to the Insurance Policy and Procedures Staff (290A) for review.



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## CHAPTER 27. CORRESPONDENCE

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(4) N prefix only mail should be returned to the sender with our reply.

b. If correspondence is identified with other than an N number, the Administrative Division will prepare input to request VA Form 29-5886b, RPO (Insurance Record Printout). If an RPO is generated, the mail will be sent to the Insurance Operations Division for processing. If an RPO is not generated because the insurance record is not on tape, the folder, if available, will be attached and forwarded to the Insurance Division personnel for processing. If the folder is not available, indexing will be accomplished through BIRLS. Any new information furnished by BIRLS will be developed. If BIRLS does not furnish new information or a negative reply is received, a photo copy of the PRC may be requested. If the PRC is not located and additional information is not developed, the correspondent will be advised to the effect that our records indicate the insurance is not in force. The correspondence will be returned with our reply.

c. Incoming identified mail is coded in the Administrative Division and is used as a source document to prepare input to request an RPO.

(1) Remittance-bearing mail will be sent to the Collections and Cashier Section, Finance Division for processing.

(2) Nonremittance bearing mail will be reviewed by designated clerks in the Policy Service Section who will determine if action, other than a simple status reply, is required.

(3) If no other action is required, VA Form 29-5899, Request for Record Print Out, or VA Form 29-8529, RPO/Reinstatement/Status, transaction type 980, coded 8 in card column 31, will be prepared to effect release of VA Form 29-5885, Information About Your Insurance. If the input is rejected, an RPO, reason code 968, will be generated. Upon receipt of the RPO, the VA Form 29-476, Notice of Premium Account Status, will be clerically prepared d.

(4) If other action is required (not code 8 mail) the RPO and, if appropriate, the insurance folder will be matched with the correspondence and sent to the operating element responsible for the required action.

d. Transaction history prints will be obtained only when necessary.

e. Correspondence will be answered by form or form letter provided it contains sufficient information to constitute a complete reply. Otherwise, the reply will be dictated, using MTST (Magnetic Tape Selectric Typewriter) paragraphs whenever possible. The principles of ~S letter writing will always be followed in preparing dictated replies.

f. Supplemental information for inclusion in the basic reply may be obtained from another operating element, but that information must be in writing. If separate letters are required, **the** basic reply will be released and the case referred to the other element involved, recharging the insurance folder if it is also referred.

g. [The name and address will be placed on the letter so that they may be easily read through the window of the envelope. (See MP-1, pt. II, ch. 10, app. C, sec. B, par. 4.) The initial instead of the full first name may be used on letters, forms and form letters except those released by Medical Determination Section, Insurance Claims Section, and

in the Miscellaneous Accounts and Service activity. Exceptions will also be made when the full first name would be more appropriate, as in service addresses or when the last names are of foreign origin. If the inquirer provides a stamped envelope or postage stamps, they will be used, if adequate.

h. When a dictated or MTST letter is being prepared and the beneficiary designation reel number on the master record is 000 00, the insured will be advised of the importance of an up-to-date designation of beneficiary and election of optional settlement. If there is no evidence in the insurance folder that a VA Form 29-336, Designation of Beneficiary and Optional Settlement, was sent within the last 2 years, a VA Form 29-336 will be enclosed with the letter.

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## CHAPTER 27. CORRESPONDENCE

### 27.01 GENERAL

a. Correspondence is the VA's primary medium of communication and is a major factor in public relations. The quality of correspondence is extremely important and constant emphasis must be placed on such elements as shortness, simplicity, strength, and sincerity. Also, the tone of the letter should be sympathetic and understanding.

b. The use of established VA form letters is limited to the purpose for which each letter was created. *Substantial typewriter alterations of a printed VA form letter to include other situations is discouraged. Instead, a dictated letter should be used.* Minor changes or corrections may be made on form or dictated letters, except congressional or other special mail.

c. Every correspondent will be furnished, insofar as the limitations of the law permit, with a fully informative reply to his or her letter.

d. Routine correspondence which cannot be answered, within 5 workdays after receipt will be acknowledged by the release of a FL 30.

e. When correspondence requiring a reply is to be filed, the file copy of the reply will bear the name or initial of the dictator and/or other persons, if any, who reviewed the reply before release. Letters and all copies will be dated before release. All papers will be securely fastened in the folder before returning a folder to file.

### 27.02 PROCESSING UNIDENTIFIED MAIL

a. Unidentified mail (no insurance number(s)) received at the Philadelphia and St. Paul VA Centers is indexed locally in the Administrative Division. If local indexing cannot furnish an insurance number, BIRLS (Beneficiary Identification and Records Locator) will be used for indexing by that division.

b. If the item cannot be identified and a complete response cannot be prepared without reference to the insurance records, the Administrative Division will initiate FL 07-2 or a similar type letter to obtain the necessary identifying data from the correspondent. If a complete response is possible, without reference to the insurance records, the letter should be referred to the Insurance Operations Division to be answered, and the inquiry returned to the sender. No file copies will be made in these cases.

c. When an application, designation of beneficiary, or a claim is received and it cannot be identified with an insurance account, a letter will be released immediately to the sender, requesting the reason for the submission of the form or letter. If it develops there is no insurance in force or if no reply is received to our letter within 31 days, the application, designation of beneficiary or claim will be returned to the originator.

### 27.03 PROCESSING IDENTIFIED MAIL

a. When correspondence is identified with an N insurance number only, it will usually be possible to reply to an inquiry without requesting a photocopy of the N PRC (premium record card). Generally, replies will include one of the following:

(1) Insurance contracts with an N number expired after December 31, 1953; therefore, the insurance is no longer in force.

(2) Since reinstatement of term insurance must be accomplished within 5 years from the date of lapse, and the last of the N-numbered insurance contracts expired December 31, 1953, the insurance is no longer subject to reinstatement.

(3) By law, claims for dividends on N-numbered contracts may no longer be accepted. (See M29-1, pt. II, par. 6.16d and e.)

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c. **When** a VA Form 294337 is not of record, but there is a VA Form 23-22, Appointment of Veterans Service Organization as Claimant's Representative, in favor of the service organization, of record in the [Insurance] folder, either by presence of the form itself or a notation that **the** power of attorney is on file in a regional office or the service organization representative advises that there is a VA Form 23-22 on file in the regional office, the information may be released to the representative.

d. If it is clear from correspondence received from an attorney, trust officer, or insurance agent that he or she is representing the insured, all necessary transactions in connection with the insurance may be accomplished through that person as a matter of courtesy, even though a power of attorney or VA Form 29-4337 is not of record. A copy of our correspondence to the third party will be sent to the insured for information. If there is any question as to whether or not a third party is actually representing the insured, a VA Form 29-4337 will be requested. Simultaneously, the requested information will be sent directly to the insured.

e., When a proper authorization is of record and ilk third party has requested status or general information not requiring specific action on the part of the insured, such status or information will be furnished directly to the third party without communicating with the insured. If action is required by the insured in order to maintain or protect his or her rights under the policy, the insured will be notified directly, and copies of the correspondence will be sent to the authorized third party.

f. Information will be released to a third party only as requested by such authorized person. The fact that a VA Form 294337 or its equivalent may be on file does not mean that the third party will be notified automatically concerning transactions between the VA and the insured from time to time. The third party will be given information to which he or she is entitled only upon request.

g. When the authorized third party requests that all correspondence or completed actions be forwarded to him or her the request will generally be complied **with**; however, when it is not practical to do so, he or she will be advised. For example, when a computer-generated policy is sent to the address in the master record, the third party will be advised as to the action ~ taken and the reason we are unable **to** comply with **the** request.

h. VA Forms 294337 and other authorizations will be filed on the left side of the insurance folder, cleated face down and lengthwise, so that they may be folded back over subsequently filed material.

i. VA Regulation 507 authorizes that Members of Congress shall be furnished, in their official capacity, information contained in VA files as may be requested for official use. If the congressional mail is accompanied by an unauthorized third party request, the information will not be furnished to the Member of Congress. Information

concerning the beneficiary designation of a United **States** Government Life Insurance or National Service Life Insurance policy is deemed confidential and privileged and during the insured's lifetime shall not be disclosed to anyone other than the insured or a duly appointed fiduciary unless the insured or the fiduciary authorizes the release of such information. The above statement concerning the beneficiary designation during the insured's lifetime relates to releasing **the** information to anyone outside the VA. A beneficiary designation is available to any VA employee who, in line with his or her duties, has need to know such information. Each employee is subject to the provisions of VA Regulation 507 with respect to the release of such information to persons who are not VA employees.

j. **If** the mail is received from a third party and there is no consent or authorization in writing over the insured's signature, flee information or action requested will not be furnished.

#### 27.05 CONGRESSIONAL, COMPLAINT AND [HIGHLY REPETITIOUS] MAIL

a. Congressional, VA Congressional Liaison, and White House referrals will be acknowledged within 2 workdays if a complete reply cannot be made within 5 workdays. If a complete reply cannot be made within 31 calendar days, an interim reply will be made **at** the end of **that** period, briefly explaining the reason for delay.

b. All complaint mail including anonymous, obscene and threatening communications will be given priority handling and forwarded directly to the Director's office.

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c. [Repetitious] mail need not be answered in flagrant cases. when an insured or other correspondent has been informed repeatedly of the status of the case but persists in writing on the same subject without submitting any new facts or evidence, [additional correspondence on the same subject may be initialed "NAN" as further response would serve no useful purpose. Authority to initial such correspondence "NAN" may not be delegated to a supervisor lower than the Chief, Insurance Operations Division. The correspondence marked "NAN" and initialed by the Chief, Insurance Operations Division will be filed in the insurance folder]

#### **27.06 FOREIGN MAIL**

a. Correspondence, including computer-generated mail, will be sent direct to the addressees residing outside the continental United States via airmail. This includes persons living in countries where the United States does not maintain diplomatic or consular representation, but excluding the Philippines. Correspondence to addresses in the Republic of the Philippines will be sent by blanket mail to the Manila regional office for remailing. The original of the correspondence only will be furnished, unless extra copies are specifically needed. If the correspondence is to be remailed by registered or certified mail, a VA Form 3230, Reference Slip, will be prepared (typed) to provide these instructions and attached to flee correspondence.

b. The Department of State may be requested to perform specific services, such as arranging for physical examination, making investigations, performing services in connection with registered or certified mail with return receipt requested when the United States maintains diplomatic and consular representation with the country involved. The request should be addressed and mailed directly to flu Foreign Service post having jurisdiction over the locality where the addressee resides. If the consular jurisdiction is unknown, the correspondence should be sent by blanket mail, without an individual envelope, to the Director, Veterans Assistance Service (272), Central Office, for addressing and remailing.

#### **27.07 FEDERAL OR STATE TAX INQUIRIES**

a. Generally, the proceeds of Government life insurance and annual dividends are exempt from taxation, except in certain claims of the United States (38 U.S.C. 3101). This exemption does not extend to any property purchased in part or wholly out of such payments. Such proceeds are included in the insured's gross estate for Federal Estate tax purposes. Dividend interest is taxable.

b. If the above will not answer a tax question, the correspondent will be advised to refer his or her question to the Director of Internal Revenue for the area in which the insured resides, or to the State or local authorities, as appropriate.

#### **27.08 SOLDIERS' AND SAILORS' CIVIL RELIEF ACT MAIL**

a. VA Forms 29-380, Application for Protection of Commercial Life Insurance Policy, or any other forms or correspondence received which pertain to protection of commercial life insurance under the Soldiers' and Sailors' Civil

Relief Act of 1940, as amended, are to be referred to the Office of Chief Actuarial Staff (299), VA Center, Philadelphia. No attempt will be made to identify the correspondent or to associate the material with NSLI (National Service Life Insurance) or USGLI (U.S. Government Life Insurance) records. Immediately upon recognition of such material, it will be transmitted to the Chief Actuary (299), VA Center, Philadelphia, with a covering VA Form 3230 identifying the subject matter.

## 27.09 SERVICEMEN'S GROUP LIFE INSURANCE

a. when correspondence is received that relates to SGLI (Servicemen's Group Life Insurance) and VGLI (Veterans Group Life Insurance), it will be sent to the Chief, [Insurance] Program Management Division (290), VA Center, Philadelphia for acknowledgment and reply.

b. Congressional correspondence or an inquiry float relates to eligibility, entitlement, or coverage under SGLI (and VGLI) will be acknowledged and sent to the Chief, [Insurance] Program Management Division (290).

c. When the inquiry involves SGLI, VGLI, NSLI and/or USGLI the inquiry pertaining to Government life insurance will be answered by the Insurance Operations Division and the correspondent advised that the additional information will be sent under separate cover. A photocopy will be prepared of the original request. It will be properly annotated as to the action

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taken **and** forwarded to Chief, Insurance Program **Management Division (290) for further reply regarding the inquiry for SGLI or VGLI.**

## 27.10 VETERANS' MORTGAGE LIFE INSURANCE MAIL

Forms or correspondence that pertain to Veterans' Mortgage Life Insurance which are received in the VA Center, Philadelphia will be **sent** immediately to VA Center (292M), **St.** Paul, with a VA Form 3230 attached, identifying the subject matter. No attempt will be made to identify the correspondent or to associate the material with **NSLI** or USGLI records.

## 27.11 PROCESSING MAIL ON A MISSING VETERAN'S INSURANCE ACCOUNT

a. The criteria to determine responsibility for processing mail on a missing veteran's insurance account are as follows:

(1) Until a determination of death **has** been made or is about to be made, the correspondence will be processed by the Policy Service Section.

(2) After a determination of death has been made the correspondence will be processed by flee **Death** Claims activity. Also, correspondence received shortly before (60 days or less) the usual 7 years of continuous absence will be considered as an informal application for death benefits.

b. **Status** of an insurance account may be furnished when **the** correspondent is **the** beneficiary if it appears that it will serve the best interests of the **missing** insured. Determination as to whether such data would or would not be in **the** insured's best interests must be based on the information available in each case.

(1) If the account is active, the reply to the beneficiary will include a statement about the importance of continuing payments during the period the insured **is** considered missing. In such cases, **the** address of record will be changed to **that** of ~ the beneficiary. (If such action has not been taken previously, input will be prepared, if necessary, to change **the** dividend ~ option from cash to PL-36.) This will permit the system to release premium

notices but will prevent disbursements to the beneficiary. If the beneficiary complains of nonreceipt of dividends, explain **that** he or she is not entitled to receive them.

(2) When the correspondent **is** other than the beneficiary but is eligible to receive the requested information (see par. 27.04), such information will be furnished.

(3) When it is determined that a third party is **not** entitled to **the** requested information, our letter will advise that **the** requested information is considered privileged and confidential (38 U.S.C. 3301). However, if the best interests of the insured indicate the advisability of contacting the beneficiary, such a letter will be initiated.

#### 27.12 COMPLIMENTARY MAIL

When correspondence is received in the Insurance Operations Division and it contains sincere and spontaneous compliments for the service rendered by the center or another station or the VA in general, it will be photocopied and the photocopy sent to the Assistant Director for Insurance (29), VA Center, Philadelphia.

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VA Regional Office and Insurance Center  
~ Philadelphia, PA

Circular 29-84-I  
July 13, 1984

#### PROCEDURE FOR CHECK RECERTIFICATION

##### 1. ORGANIZATIONAL ELEMENTS AFFECTED:

Insurance Operations Division  
Insurance Program Management Division  
Finance Division

##### 2. REFERENCE: M29-1, Part II, Chapter 27.14, Chapter 6.18.

##### 3 PURPOSE:

To furnish new procedures for processing claims by payees (insured's) or beneficiaries) alleging nonreceipt, loss, theft, destruction, mutilation or forgery of U.S. Treasury checks. The effective date of Treasury's new Check Recertification System is July 9, 1984. VA Form Letters 4-162 and 4-163 are rescinded as of July 6, 1984. Standard Form (SF) 1184, Unavailable Check Cancellation rev. 6-84 will be used for nonreceipt procedures effective July 6, 1984. SF 1180, Request for Stop Payment, and SF 1181, Request for Removal of Stop Payment, are also rescinded as of July 9, 1984.

**4. PROCEDURE:**

**A. Insurance Operations Division:**

**(1) Policy Service Technicians and Insurance Awards Accounts Clerks will complete an SF 1184 (see Attachment 1) when:**

- a. The payee claims nonreceipt of his/her U.S. Treasury check.**
- b. The payee's check has been lost, stolen, destroyed, mutilated or forged.**
- c. The payee is no longer entitled to proceeds of the check.**
  - e.g. Payee died before the issue date.**
- d. A photocopy or the payment status of the check is needed for administrative purposes.**

**(2) An SF 1184 is to be completed as follows:**

- a. CK Symbol - Leave blank.**
- b. CK Serial - Leave blank.**

**NOTE: CK Symbol and CK Range are to be typed at top of block entitled "For Agency Use."**
- c. CK Amount - Enter the full amount of the check authorized.**
- d. CK Date - Enter six (6) digit number for year (two digits), month (two digits), and day (two digits).**
- e. Agency/Payee Identification Number - Enter insurance file number.**
- f. Line Code - Enter total number of lines in payee`s name and address.**
- g. Stop Code - Enter appropriate one letter stop reason code:**
  - Payee entitled; do not issue substitute.**
  - Deceased.**
  - Nonentitlement; payee not entitled to all or part of the proceeds of the check.**
  - Lost or stolen; endorsed by payee.**
  - Photocopy.**
- h. Agency Code - Enter the letter "V".**
- i. Payee Name - Enter payee`s name on first line.**
- j. Address - Enter payee's address.**
- k. Name of Decedent - Enter name of decedent when stop reason code is "E".**
- l. Date of Death - Enter date of death when stop reason code is "E".**
- m. Amount to be Reclaimed - Enter full amount of check.**

- n. Agency Location Code - Enter 36 00 0310.
- o. Agency Output - Enter the number "2".
- p. Agency Reference - This is a 19 digit combination number developed for cross referencing. Enter as follows:

First two digits - Year. Digits 3, 4, 5 - Julian Date. Digit 6 - "1"  
(Insurance). Digits 7, 8, 9, 10 - Sequence Number  
(Assigned by Control Clerk).

Digits 11, 12, 13 - Station Number "310". Digits 14, 15, 16 -  
Originating Element

18, 19, 20 - Type of Payment: e.g. 292 - Policy Service. Digits 17,

Dividend - "DIV"

Loan - "LOAN"

Matured Endowment -

Death Award - "DAWD"

TDIP Payment - "TDIP"

Premium Refund - "PREM"

- (3) The SF 1184 is a four part carbon form which must be typed and signed by the station's Fiscal Officer. A photocopy of the completed original SF 1184 must be kept on file by the section chief's secretary (Policy Service or Death Claims). The entire SF 1184 will be forwarded from the Insurance Operations Division to the Finance Division (241) for the Fiscal Officer's signature. The Finance Division will retain the "Administrative Agency Copy" and forward the Original, Disbursing Office Copy and Agency Receipt Copy to the Treasury Disbursing Office. All responses from the Treasury will be received by Finance Division (241) and forwarded to Insurance Operations.
- (4) The Treasury's Disbursing Office will search their records and, based on their findings, will mark the appropriate box in the "For D.O. Use" block, return the "Agency Receipt Copy" to this station and forward the original to the Division of Check Claims (DCC).
- (5) The DCC will process the SF 1184 and notify this station (Finance Division) of the check's status by means of a DAS (Daily Advice of Status) form. A "Status Message" will be provided which indicates the payment status of the check and the action to be taken by Treasury (see Attachment 2).
- (6) Incorrect or illegible SF 1184's will be returned by the Treasury using an above mentioned DAS. The "Status Message" will indicate the reason for rejection and a corrected SF 1184 will have to be submitted.
- (7) When the DAS contains Status Message Code - 32; OUTSTANDING - CHECK CANCELLED, it means that this check has not been cashed and Treasury has canceled the check in order to issue a credit to the VA. The Technician/Accounts Clerk will refer the SF 1184 photocopy and DAS to their immediate supervisor for authorization on issuing a replacement check.
- (8) If the check has been paid, the DAS will contain Status Message Code 11, 13, 14, 15, 16, 17 or 18 (see Attachment 3), a photocopy of the paid check, a Claim Form (see Attachment 4) and a Claims Document (see Attachment 5) will be provided. Photocopies are usually available within 60 days.

- (9) Upon receipt in this station of the photocopy of the paid check, the Claim Form and the Claims Document, the Technician/Accounts Clerk will make a photocopy of the check. One photocopy of the check and the Claim Form will be sent to the claimant. The Claims Document and remaining photocopy of the check will be kept on file by the section chief's secretary (Control Clerk). Mailing labels will be provided by the Treasury on the Claims Document.
- (10) If the claimant contends that the signature on the check is not his, he must complete, sign and return the Claim Form. When it is received in the Insurance Activity, it will be reviewed by the Technician/Accounts Clerk to ensure that: (a) all questions have been answered; (b) the payee (or both payees, if the check is drawn jointly) has signed the claim in the required places; and (c) the payee's signature has been witnessed.
- (11) Properly completed Claim Forms will be forwarded to DCC with the DCC Copy of the Claims Document and the photocopy of the check in the business reply envelope provided by DCC. The copy of the Claim Form marked "Agency Copy" will be retained in the section chief's log since it will be needed to request any follow-up information on a claim.
- (12) The DCC will analyze the payee's signature and other information on the Claim Form to determine the validity of the claim. If DCC determines that the payee was involved in the negotiation of the check, the claim is denied and this station will be notified by means of the Claims Disposition Notice (see Attachment 6) that the payee was involved. The Technician/Accounts Clerk will notify the claimant by mail of the Treasury's finding.
- (13) If the payee states that he never lived or received mail at the address on the check, the photocopy of the check and the claim form should be forwarded to the Insurance Program Management Division (290A).
- (14) In the event that the photocopy of the check is not available after 60 days and the Stop Reason Code indicated a nonreceipt situation. DCC will send a Modified Claim Form (see Attachment 7) to this Center. This form will then be sent to the claimant. If the claimant continues to allege noninvolvement in the negotiation of the check, he/she will complete and return the Modified Claim Form. Upon receipt of this form in the proper Insurance Operations' Section, the Technician/Accounts Clerk will review this form for completeness and forward it to DCC. An incomplete form would be returned to the claimant for completion. A copy of the Modified Claim Form will be inserted in the insured's file and a check in the amount of the claim will be authorized.
- (15) In situations other than nonreceipt where the photocopy is unavailable after 60 days, DCC will notify the station that no further action can be taken by Treasury. Forward all information and documents to the Insurance Program Management Division (290).
- (16) In the event that a replacement check has been authorized and subsequently the payee admits to negotiating the original but contends nonreceipt of the replacement, an SF 1184 will be prepared with Stop Reason Code F. If the check has been paid, a photocopy of the check, Claim Form and Claims Document will be sent to this station and processed as described in paragraphs 9 through 14.
- (17) If DCC determines that the payee does not appear to have been involved in the negotiation of the check, this station will be notified by means of the Claims Disposition Notice to reissue payments in settlement of claims which appear to be in order. We will be notified if further investigation is required on the claim and again when the investigation is completed.
- (18) All payments will be authorized on VA Form 4-706.

5. RECISSION: None

**R. J. VOGEL**  
**Director**

**Distribution:**

**AI**

**DI**

**E1-2-3**

**F1-4-6-8-12-15\_21\_22\_25\_30**

#### 27.13 POSTAL SERVICE FORM 3577, CORRECTION OF ERROR IN ADDRESS

a. When the Postal Service makes a service adjustment (change of ZIP code, house number, name of street), which causes realignment of delivery service affecting the mailing address of an insured, notification of such change is received on Postal Service Form 3577.

b. Change of address is authorized upon receipt of Postal Service Form 3577. Policyholders' and other payees' records will be changed accordingly.

#### 27.14 PROCESSING MAIL CONCERNING CHECK INFORMATION ON DISBURSEMENTS

When an insured claims nonreceipt of a recently authorized disbursement, a FL 29481 will be prepared, if appropriate.

b. If the insured has had sufficient time to receive the check since it was authorized and the claim is within 6 years from the date of issue, prepare FL 4162 if the insured claims non-receipt and a FL 4-162 if he or she claims the check was lost or destroyed. The form letters will be completed as outlined in paragraph 6.18.

c. For off-tape payments made during the current or preceding fiscal year, the FL 4-162 and FL 4-163 be prepared in the usual manner and routed to the Accounting Section, Finance Division for entering the check number. For all prior fiscal year payments the form letter will be routed to the Records Management Unit, Administrative Division for entering the check number(s).

d. Effective February 1, 1975, the Philadelphia Disbursing Center converted to the Treasury Department's OCR (Optical Character Recognition) System for processing vouchers and schedules of payments. Therefore, all miscellaneous (off-tape) payments previously processed by the Philadelphia Center will be processed by the Washington Disbursing Center. In these cases, when a FL 4-162 and FL 4-163 prepared for nonreceipt or loss of a check, the form letter should be mailed to the appropriate Disbursing Center.

#### 27.15 NOTICE OF BANKRUPTCY PETITIONS

a. Periodically, notices of bankruptcy will be received from U. S. District Courts. Generally, these notices do not describe the nature of the debt. However, the majority of notices are the result of the bankrupt declaring a loan on Government Insurance as a debt, and lists the VA with the court as one of his or her creditors. Notices of this type require no action, and will be filed (NAN) in the insurance folder.

b. When insurance records disclose the existence of an overpayment indebtedness such as dividend overpayments, compensation or pension overpayments, an award overpayment to a beneficiary, or a loan guaranty indebtedness, the notice of bankruptcy will be forwarded to the Chief, Insurance Operations Division, who will determine whether the notice should be directed to the District Counsel. A 3230 will be attached identifying the subject matter.

#### 27.16 PROCESSING CORRESPONDENCE INDICATING DISABILITY, INJURY, OR ILLNESS

a. When information is received from an insured or a third party indicating disability, illness or injury of the insured, the following action will be taken:

(1) If not previously released, a VA Form 29-357c, Claim for Disability Insurance Benefits, will be sent to the insured. Note letter or source of information VA Form 29-357c released (date).

(2) If previous action was taken to release the form, note the current correspondence.

b. The correspondence will be filed in the insurance folder.]

**Veterans Administration Center  
Philadelphia, Pa. 19101**

**Change #1  
Insurance Division Memorandum 69-106  
February 15, 1972**

**STATUS**

**PROCESSING OF VA FORMS 29-178. REQUEST FOR INSURANCE**

1. **ORGANIZATIONAL ELEMENTS AFFECTED: Insurance Division**
2. **REFERENCES: Letter Field Director, Area #3 (2OIC) dated January 21, 1972.**
3. **PURPOSE: To amend the basic instructions due to "N" insurance folders being placed in dead storage.**
4. **PROCEDURE:**
  - a. **Delete paragraph 4b(l)(a) of the basic memorandum and substitute the following:**
    - "(a) **Complete all items in Part III of the VA Form 29-178. File the duplicate in the folder and release the original to the originating office. When "N" insurance only is involved return both copies to the originating office if received in duplicate.**"

**Insurance Officer**

**DISTRIBUTION:**

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Chapter 28 - Administrative Adjustments

A. Change: M29-1, Part II, Chapter 28. This advance manual change is issued in conjunction with advance manual changes 7-83 in M29-1, Part I, and 11-83 in M29-1, Part II concerning conversions of Five-Year Limited Convertible Term insurance.

B. Procedure: Page 28-1, paragraph 28.03, eliminate subparagraphs b and c and substitute the following:

b. Applications for conversion made within 61 days from the termination date of the term policy will be considered timely filed and will be processed without special development. The application date will be the postmark date if the application is mailed, the earliest VA receiving stamp if it is otherwise delivered, or the date of execution if it is received through military channels.

c. Conversion applications made more than 61 days from the termination date will be considered untimely. However, if the conversion was applied for within 180 days from termination, a decision to extend the conversion period may be made by the Chief, Insurance Operations Division (Philadelphia) or the Chief, Insurance

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Division (St. Paul). If the conversion application was made more than 180 days after the termination date, a decision to extend the

conversion period may be made by the Chief, Insurance Program Management Division. Refer to paragraph 36.20(c) for an explanation of the factors which may be considered as a basis for extending the conversion period.

C. New or Revised  
Insurance Forms: None

ROBERT W. CAREY  
Assistant Director for Insurance

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August 20, 1973

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## CHAPTER 28. ADMINISTRATIVE ADJUSTMENTS

### 28.01 GENERAL

a. Administrative adjustments will be provided when an insured, after making application for a change, submits a request for cancellation of the change within an established period and provides a plausible explanation for his misunderstanding. Adjustments may also be made when the insured is not furnished proper notification and/or information on any phase of insurance, depending on all the facts and circumstances involved.

b. Administrative adjustments may be allowed when the insured is furnished erroneous information or an error is made in processing his account which places the insured in a worse position than would have occupied.

An error is any improper action or failure to act, not necessarily financial in nature, which may adversely affect either; (1) the veteran or his family; or (2) the Government or the insurance fund. Any adjustment is always dependent on the circumstances pertaining to the individual case.

c. When it is determined that a case should be considered for possible administrative adjustment, and there is no authority of record to make the adjustment locally, the case will be sent to the Assistant Insurance Director for Insurance (29), VA Center, Philadelphia, for consideration.

### 28.02 CHECKS OR DRAFTS NOT HONORED BY THE BANK

a. Where a timely premium payment is made by check or draft which is not paid upon presentation, and evidence shows that such nonpayment is due to error on the part of the bank on which the item was drawn, the insured may be given 31 days from the date of notice to send an amount sufficient to pay all premiums due, through the current month. (However, since uncollectible remittances are automatically redeposited by Federal Reserve Banks, the 31-day period will not be offered unless the remitter states that the dishonoring action was due to error on the part of the bank and the error is confirmed.)

b. Where a check or draft is returned unpaid because the bank on which it was drawn is closed, or where a check, draft or money order has been lost or destroyed after deposit by the VA, the insured will be given 31 days from the date of notice to send a replacement payment.

c. VA Form 29A499a, Notice-Payment Not Applied, will be used to communicate with the insured. For instructions on completing the VA Form 29A499a see chapter 2, paragraph 2.03f.

### 28.03 CONVERSION OF 5-YEAR LIMITED CONVERTIBLE TERM INSURANCE

a. A 5-year Convertible Term policy may not be renewed after the term period in which the insured reaches age 50. One year prior to the expiry date of the final term period, the insured is notified that if he wishes to keep his insurance in force must convert to a permanent plan on or before the ending date of that

5-year term period. If the term insurance is not converted, another notification is released to the insured 90 days prior to the expiry date of the term insurance.

b. When the 90-day notification was not released and the expiry date of the term policy has passed or less than 31 days remain in the term period, a dictated letter will be released to the insured advising him that he has 31 days from the date of the letter to meet conversion requirements. He will also be told the effective date of the permanent plan will be the day following the expiry date of the final term period.

c. When the insured continues to pay premiums on the term policy after the expiry date of the final term period and they are accepted, a dictated letter will be released to the insured advising he/she has 31 days from the date of the letter to meet conversion requirements. He/she will also be told the effective date of the permanent plan will be the day following the expiry date of the term policy. Premiums paid and accepted after the expiry date of the final term period are earned premiums and are not subject to refund or credit.

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**28.04 REVIVAL OF INSURANCE AND TDIP**

When a report of death or of total disability or of total permanent disability is received and one or more of the insured's policies is lapsed, consideration should be given to revival of the insurance under the following authorities, and in the order listed.

a. If the sole reason death, total permanent or total disability benefits under a policy cannot be granted is that the policy is lapsed, the insurance will be considered in force on the date of death or date of commencement

(1) The policyholder dies or becomes totally or totally and permanently disabled within 61 days of the due date of the premium in default, and

(2) The policy prior to the lapse has been in force for 5 years or more. In determining in-force status under this subparagraph if the original effective date of the insurance (when necessary, include predecessor contracts involving renewal, conversion or replacement/reinstatement under 38 U.S.C. 781) is 5 years or more earlier than the date of death or date of total or total and permanent disability and during the 5 years immediately preceding the date of lapse the insurance has not been lapsed at any one time in excess of 6 months, the requirement will be satisfied. When insurance is considered in force under this subparagraph, the amount of the monthly premium due on the date of lapse and the following monthly premium(s) will become a lien against the policy.

(3) The provisions of this subparagraph may be applied if, on the date of death, the insurance is in force under the extended term insurance provision and a policy loan was outstanding on the date of lapse or a dividend deposit balance was included in the cash value as determined at time of lapse (VA Regulations 3019(B) and 3407.3(B)).

b. If the provisions of subparagraph a above do not apply, the insurance will be considered in force under premium-paying conditions on the date of death or the date of commencement of total permanent or total disability if the following provisions apply.

(1) On the date of lapse there were accrued dividends, not then payable, resulting from premiums paid since the last anniversary date of the policy and such dividends are equal to or greater in amount than the total of the monthly premiums which have become due from and including the date of lapse to the date of death or date of commencement of total permanent or total disability, and/or

(2) At the end of the grace period for the unpaid premium causing lapse there were due and payable to the policyholder unpaid dividends, refundable premiums, pure insurance risk credits, other refundable credits or total permanent or total disability benefit payments arising from the policyholder's USGLI (U.S. Government Life Insurance) or NSLI (National Service Life Insurance) which are equal to or greater in amount than the total of the monthly premiums which have become due from and including the date of lapse to the date of death or date of commencement of total permanent or total disability.

(3) For purposes of subparagraph b above, amounts under subparagraphs (1) and (2) above may be combined. In that case, the amount, if any, of dividend accrued under subparagraph (1) above will first be determined and the amount available under subparagraph (2) above, if any, will be added thereto for the purpose of determining if the total amount available is equal to or greater than the total of monthly premiums which have become due.

(4) In determining the amount of monthly premiums which have become due under subparagraphs (1) and (2) above, a shortage of 10 percent per monthly premium may be allowed for a period not to exceed 3 months.

(5) In determining the monthly premiums which become due for adjustment purposes under subparagraphs (1) and (2) above, the premium for the monthly due date immediately preceding the date of death or date of commencement of total permanent or total disability may be omitted because of the coverage provided

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**August 20, 1973**

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Change 10**

by the allowable grace period and if the conditions of subparagraph a above are met, the premium for the second due date immediately preceding the date of death or date of commencement of total permanent or total disability may be omitted.

(6) When a policy is deemed in force under premium-paying conditions by operation of subparagraph b above, the amount of any shortage included in the calculation and the premium for any monthly due date omitted in the calculation will become a lien against the policy.

(7) The provisions of subparagraph b above may be applied if, on the date of death, the insurance is in force under the extended term insurance provision and policy loan was outstanding on the date of lapse or a dividend deposit balance was included in the cash value as determined at time of lapse.

(8) If accrued dividends under subparagraph (1) above and/or amounts due and payable under subparagraph (2) above exist in connection with more than one policy of the same insured and one or more policies lapsed prior to the date of death or date of commencement of total permanent or total disability, the amounts available will be related first to the policy or policies on which they arose if such policy or policies are lapsed. Any amount available under subparagraphs (1) and (2) which is not required to place in force the policy upon which it arose or which is insufficient to place in force the policy upon which it arose, may be combined with similar amounts available on any other policy whenever the total of such amounts is sufficient to place another policy in force.

(9) ~ more than one policy is involved and credits are not needed or are insufficient to revive the policy on which the credits arose, the credits will be used insofar as they are sufficient to revive the policy or policies under which the most insurance is payable.

(10) No TDIP (Total Disability Income Provision) will be considered in force under this subparagraph b unless it lapsed at the same time as the life insurance contract and both the life insurance and total disability income provision can be considered in force through the same date and benefits are payable under the total disability income provision. An exception will be a paid in-full limited pay contract on which TDIP premiums continue to be due and payable.

(II) When a TDIP lapsed at the same time as the life insurance, the premium for the provision will be considered separately in determining if the amounts available are equal to or in excess of the monthly premiums which have become due. In such a case if the amounts available are sufficient, both the life insurance and the provision will be revived. If the amounts are insufficient for that purpose, they will be applied to revive the policy or policies with the greatest amount payable in death cases or the policy or policies providing the greatest life insurance and total disability benefit in total disability cases.

(12) Accrued dividends and/or credits on any policy of USGLI or NSLI held by the policyholder may be considered for the purpose of subparagraph b above. (VA Regulations 3019 and 3407.3(A).)

c. If the provisions of subparagraphs a and b above do not apply, the insurance may be reinstated if the following provisions apply.

If the insurance becomes a claim after the tender of the amount necessary to meet reinstatement requirements but before full compliance with the requirements of submitting a written application signed by the insured and during his lifetime and furnishing evidence of health, and the applicant was in the required state of health at the date that he made the tender of the amount necessary to meet reinstatement requirements, and that there is satisfactory reason for his noncompliance, the Chief, Operations Division, VA Center, Philadelphia and the Insurance Officer, VA Center, St. Paul, may, if the applicant be dead, waive any or all requirements of reinstatement (except payment of the necessary premiums) or, if the applicant be living, allow compliance with the requirements of reinstatement as of the date the required amount necessary to reinstate was received by the VA. (VA Regulations 3080 and 3424).

d. If none of the foregoing adjustments apply, determine if there were circumstances surrounding the lapse of the insurance or the subsequently rejected or disapproved reinstatement application which might form the basis

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**M29.1, Part II  
Change 10**

**August 20, 1973**

**for possible administrative adjustment. When it is believed circumstances of this type exist, the file and a statement of the facts should be forwarded to the Chief, Program Management Division (290), VA Center, Philadelphia, for consideration.**

**e. If it is determined the insurance was in force, a memorandum or worksheet detailing the adjustment and the authority will be prepared and included in the insurance folder. Any amount, including amounts refunded in error, necessary to complete payment of all monthly premiums which became due prior to death will be reported for deduction from settlement under the policy. Original or supplemental VA Form 29-368d, Report of Status for Settlement of Death Claims, will be prepared with coverage dates and amounts to be collected being shown based on the adjustment. The**

**VA Form 29-368d will be noted to show that the account has been adjusted and the authority for the adjustment.**

**f. Accrued dividends or amounts due and payable prior to the last day of coverage which cannot be used to place the insurance in force at death, should be reported together with any other credits for disposition.**

**g. If the amounts available would not put the insurance in force at death but would pay the month of lapse and any later months, prepare a memorandum or worksheet detailing the possible adjustment and the authority for it and file in the insurance folder. VA Form 29-368d, original or supplemental, will be prepared reflecting the status of the account without adjustment and noted-**Benefits may be payable if TD before** \_\_\_\_\_ The date to be inserted is the last day of the grace period for the first premium which would become due if the amounts available were applied.**

h. When reporting status for total permanent or total disability claims purposes on a lapsed account, the same consideration should be given to possible adjustment. If it appears that the month of lapse and any later month could be considered paid if the date of commencement of total permanent or total disability fell therein or within the following grace period, the report of status should include the statement-For disability purposes the lapse date shown can be advanced.

i. In such cases, if the Insurance Claims Section finds that total permanent or total disability commenced when the insurance was lapsed, according to the status report, it will return the file to the Accounts activity. A covering memorandum will indicate the commencement date of total permanent or total disability and request a decision as to the last monthly premium which could be considered paid under any authority.

j. Upon receipt of such a case the Accounts activity will, after applying the different authorities as listed in subparagraphs a through d above, return the case to the Insurance Claim Section with a statement that the account can or cannot be considered in force on the commencement date of total permanent or total disability. A copy of the memorandum, including details and authority will be filed in the insurance folder. When an award is made, any necessary collection will be effected from the amounts payable to the insured or alternatively, liens will be established, if necessary.

k. When it is possible to consider insurance in force to date of death or date of commencement of total permanent or total disability, the master record will be updated, established if necessary, in the same way that the account would be adjusted if the amounts were available or liens were applied in the regular course of business.

#### **28.05 ALLOTMENT FROM RETIRED PAY INVOLUNTARILY TERMINATED**

a. When an allotment from retired pay is involuntarily suspended by a service department because the retiree is missing, coverage will be deemed to have been continuous as long as retirement pay deductions would have been in order, except for the service department's procedure in suspending the deduction because the retiree's whereabouts is unknown and as long as the deductions were sufficient to pay the premium.

b. As soon as the policyholder's whereabouts becomes known, the account will be adjusted by:

- (1) Prompt payment of arrearage or, if requested, establishment of premium lien, and
- (2) Resumption of premium payments.

28.06 LOST OR DELAYED MAIL

a. When an insured or a third party claims to have placed a remittance or document in a U.S. mail receptacle on a specified date, which is before the postmark date shown on the envelope containing the payment, the claimant must present evidence and/or statements by other persons witnessing or having knowledge of the mailing in the form of a certified statement of the facts and circumstances which may be of assistance to any investigation conducted by the VA.

b. When the insured or a third party claims to have mailed to the VA a remittance in payment of premiums and any other documents and there is no record of receipt in the VA, the insured or such other person must present a certified statement of the facts and circumstances. When the statement is submitted by someone other than the insured, it must include a declaration to show whether or not the insured is alive. From such evidence, the VA may be able to establish that the remittance or document in question was actually mailed and became lost.

c. For the insured or a third party to establish that a remittance or document was mailed on a date before the postmark date on the envelope in which the remittance or document was received or that the remittance or document was actually mailed and became lost, he must furnish the following information in the form of a certified statement:

(1) A detailed description of the remittance (check, draft, postal money order), including the amount and purpose for which it was sent. (Supply policy number.)

(2) Address of the VA office appearing on the envelope in which the remittance or document was enclosed.

(3) The date and approximate hour the envelope containing the remittance or document was placed in the U.S. mail. Also, the exact location of the letterbox, mail chute, or other official mail receptacle in which the envelope was deposited.

(4) The name and address of any person having actual knowledge of the mailing of the envelope addressed to the VA and containing the remittance.

d. The person supplying the foregoing information should be advised that it is for the use of the VA in making investigation.

e. If the insured is alive, certified statements concerning lost remittances must be accompanied by a replacement remittance of like amount to that being reported lost in order to receive consideration.

f. When processing certified statements of lost or delayed remittances or documents, the postmaster's statement is not a prerequisite to adjustment and will not be obtained unless the approving authority determines such additional evidence is required.

g. Place all documents pertaining to such transactions, except the replacement remittance, in the insurance folder.

h. Approval of statements of lost or delayed remittances for premiums on NSLI or USGLI and/or delayed documents is restricted to the Chief, Operations Division and the Chiefs of the Medical Determination Section and the Policy Service Sections in VA Center, Philadelphia.

i. When statements about a lost or delayed remittance are received, release a letter to the policyholder. The policyholder will be told of the necessary requirements and that in order to protect his [or her]

insurance, pending development of the lost and/or delayed remittance, an application for reinstatement should be submitted, if in order. Also, that he [or she] should continue to remit premiums when due.

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**M29-1, Part II  
Change 13**

**September 13,1976**

28.07 PAYMENT TO INSURED WITHOUT FOLDER

When a credit is due the insured as a result of a change of plan, a reduction, a cash surrender or a matured endowment and the folder cannot be located, payment may be authorized by the Chief, Insurance Operations Division (291), VA Center, Philadelphia and the Insurance Office, VA Center, St. Paul.

28.08 CANCELLATION OF PAID-UP ADDITIONS DIVIDEND OPTION

a. When a dividend option has been changed to paid-up additions and not more than one dividend has been applied to purchase the paid up additions, the option may be canceled and the paid-up additions reversed so the dividend may be applied under the option of record prior to the change, under the following conditions:

(1) Insured complains that he [or she] misunderstood the option, or

(2) Change of option initiated by a third party and the insured states he [or she] did not want the paid-up additions.

b. When the paid-up additions option is selected by an incompetent insured, his [or her] guardian or a third party acting for him [or her] and at a later date he [or she] recovers and states he [or she] did not want the paid-up additions, the option will be canceled and the paid-up additions reversed so the dividends may be applied under the dividend option of record prior to the change.

28.09 REDUCTION OF INSURANCE

a. A request in terms for *cancellation, reduction, discontinuance*, or, as is sometimes used by insureds, for *surrender* of term insurance would not necessarily have the effect of terminating protection immediately. If the insured requests reduction and specifies the premium due date on which the reduction is to become effective and the premiums are currently paid, he [or she] will be protected for the full amount of the policy during the grace period (31 days) following the premium due date on which the reduction becomes effective. The insured may, at any time within the grace period, remit the full premium on the original amount of the policy, thereby canceling the request for reduction. If death occurs or if entitlement to disability insurance benefits is found to exist within the grace period, the claim would be settled on the basis of the original amount of the policy and not the reduced amount.

b. Serious problems may arise in cases involving reductions if the insured fails to state clearly the amount of insurance to be retained and the premium due date the reduction is to become effective. In such instances, the insured should be contacted promptly to obtain clarification of his [or her] intent. If an insured requests reduction of his [or her] insurance to become effective on the next premium due date, remitting premiums in advance on the reduced amount, protection under the full amount of insurance is afforded during the grace period, but if death occurs after the expiration of the grace period, the claim will be settled on the basis of the reduced amount of insurance notwithstanding there is a credit sufficient to pay premiums on the full amount of the insurance to the date of the insured's death.

[28.10 REDUCTION OF JR AND JS PREMIUMS

a. Consideration will be given to reducing a premium rate on a JR, JS or changing a JR to a J policy when:

(1) A letter from the insured is received with or without a physical examination report requesting reconsideration of the premium rate because of improved health; or

(2) The insured informs the VA that a commercial life insurance policy has been purchased at standard premium rates; or

(3) The insured submits an application for TDIP and/or change of plan with a lower reserve and the medical evidence thereon shows that the insured is in good health and the application is acceptable.

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**September 13, 1976**

M29-1, Part II  
Charge 13

b. The inquiry and/or application will be acknowledged and the material including the insurance folder and claim folder, if any, will be forwarded to the Chief, Program Management Division (290), VA Center Philadelphia, for further development, review and decision.

c. If the decision is a favorable one, and it only involves the reduction of a premium on a JR or JS policy, the LMA (Lay Medical Approver) will:

(1) Prepare VA Form 29-8522, Policy, transaction type 082, to change the premium and the disability rate code.

(2) Send a letter to the insured advising of the decision. Also, the letter should include current status of the adjusted account and premium notices for the new premium rate.

d. If the favorable decision involves the changing of a JR policy to J, the following input documents will be prepared by the LMA to change the master record:

(1) VA Form 29-8527, Accounting Control, transaction type 099, reason code 07, to delete the JR master record from tape.

(2) VA Form 29-5891a, Address or Trailer Input, transaction type 001.

(3) VA Form 29-5896a, Life Input, transaction type 000.

*NOTE: If the insured has an existing account on the insurance master record, the above documents are not prepared.*

(4) VA Form 29-8522, transaction type 002.

(5) VA Form 29-8523, Premium/TDIP, transaction type 003.

(6) VA Form 29-8527, transaction type 089, reason code 07, debiting control account 7-53 and cradling control account 7-39. If the reserve of the JR policy is less than the reserve on the J policy, the full amount of the JR reserve will be transferred to the J fund as reserve.

(7) VA Form 29-8526, Pending Transaction, transaction type 008, to transfer the difference in reserve from JR to J as a pending refund, showing control account life fund 8, account 39, to life fund 7, account 16.

(8) VA Form 29-8530, life/Miscellaneous, to issue a J policy.

(9) Any other input documents for any optional segments of the master record which appeared on the JR contract prior to being purged, i.e., loan, lien, etc.

*NOTE: The input documents prepared as described in sub paragraph (2) through (9) must be sorted after the Purge of the JR master record; therefore, the last three digits of the J policy number must be entered on each insert input and coded for a second day release.*

(10) Prepare a dictated letter to provide the insured with the current status of the policy. New premium notices will be enclosed and the insured advised to destroy the old premium notices and the old policy. The insured will be requested to indicate the disposition of any pending refund. The insured will not be requested to pay any reserve shortage.

e. If the request for consideration of a lower premium rate is denied, the insured will be advised and the reason or reasons for such a decision. The insured will also be furnished appeal rights.

M29-1, Part II  
**Change 13**

September 13, 1976

#### 28.11 RESTORATION OF TDIP AGE 60 RIDERS ON FULLY PAID-UP CONTRACTS

a. When an insured has not reached his or her 60th birthday on a paid-up Age 60 **TDIP** and exchanges for the Age 65 rider and later lapses and fails to reinstate, after normal lapse procedures have been followed, the Age 60 rider will be restored. Premiums paid on the Age 65 rider will not be refunded. Change the TDIP segment in the master record and notify the insured of our action and that he or she now has coverage on the **TDIP** to Age 60. The Age 65 rider is subject to reinstatement if the insured meets all of the requirements.

b. If after an exchange the insured tells us that he or she did not understand the new rider and makes it clear that a request for an exchange would not have been made had it been known that additional premium payments for the TDIP were required, the Age 60 rider will be restored. Payments tendered for the Age 65 rider, if any, will be refunded. The insured will not be allowed to reinstate the Age 65 rider at a later date. Change the TDIP segment in the master record and notify the insured of our action and that he or she now has coverage on the TDIP to Age 60 only.

c. The record printout will be noted to show the action taken and filed in the folder.]



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CHAPTER 29. ALLOTMENT ACCOUNTS

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VA Regional Office and Insurance Center  
Philadelphia, PA

Circular 29- 86-1  
January 2, 1986

1986 ALLOTMENT PROCESSING SCHEDULE

1. ORGANIZATIONAL ELEMENTS AFFECTED: Insurance Operations Div. -  
VAROIC

Operations Division -

VARDPC

2. REFERENCES: M29-1, Part II, Chapter 29

3. PURPOSE: To furnish 1986 cut-off dates covering the preparation and transmission of the monthly magnetic transaction tape to the appropriate Service Departments. The Service Departments are: Army, Navy, Air Force, Marine Corps, Coast Guard, Army Retired and Air Force Retired.

4. PROCEDURE:

a. The monthly magnetic transaction tape will be transmitted in the calendar month preceding the accounting month during which the transactions are to be effected.

b. Allotment requests stored in the Temporary Data File on the Insurance Terminal System will be sent to the Input Unit, Philadelphia DPC in accordance with the following cut-off schedule:

| <u>REGISTER</u><br><u>MONTH</u><br><u>DEPARTMENTS</u> | <u>ENTER</u><br><u>BY</u> | <u>ADP GENERATED</u><br><u>ALLOTMENT REQUESTS</u> | <u>MAILED TO</u><br><u>SERVICE</u> |
|-------------------------------------------------------|---------------------------|---------------------------------------------------|------------------------------------|
| JAN. 1986                                             | 01-03-86                  | 01-03-86                                          | 01-06-86                           |
| FEB. 1986                                             | 02-05                     | 02-05                                             | 02-06                              |
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| MAY 1986                                              | 05-05                     | 05-05                                             | 05-06                              |
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| DEC. 1986                                             | 12-04                     | 12-04                                             | 12-05                              |

2.

5. CONCURRENCE: The Director, Philadelphia Data Processing Center concurs.

CAREY

ROBERT W.

Director

DISTRIBUTION:

**A-1**

**D-1**

E- 1-2-3-5

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May 12, 1980

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## CHAPTER 29. ALLOTMENT ACCOUNTS

### 29.01 GENERAL

a. Personnel on active duty and retired members of the Armed Forces who have United States Government Life Insurance and/or National Service Life Insurance can pay their insurance premiums, including TDIP (Total Disability Income Provision) premiums, by authorizing [the VA to establish a Class N insurance allotment from their active service or retired pay.

b. Class N insurance allotments cannot be established by the service number or retiree to pay premiums for a third-party policyholder.

c. Personnel on active duty can also repay insurance policy loan/lien indebtedness by a Class N allotment from their active service pay. Current Department of Defense regulations [also permit the establishment of a Class N allotment from retired pay for this purpose. Inquiries regarding the possible establishment of an allotment for repayment of insurance policy loan/lien indebtedness should be answered accordingly. [ j

d. Only one monthly Class N insurance allotment for each insured is permitted. Class N allotments authorized by the insured for payment of multiple-policy premiums and/or insurance policy loan/lien indebtedness are combined by the service department finance center before being reported to the VA.

e. All insurance accounts for which Class N [ i allotments have been established are maintained by the Philadelphia VA center. If an insured notifies the St. Paul VA center that a Class N [ ] allotment is being established and the insurance records are in that office, [ j a 90-day

951 policy callup freeze will be inserted in the master record and all insurance records will be immediately transferred to the Philadelphia VA center. If the insurance records cannot be located in the St. Paul VA center, the insured's notification of intent to establish [ ~ an allotment will be forwarded to the Philadelphia VA center. [In either case, the insured will be notified

## 29.02 REPORTING OF ALLOTMENT TRANSACTIONS

a. As tabulated below, a single [ ] reporting office code [ ] has been assigned to each branch of service:

| Reporting Office Code [ ] | Service Department                            | Location of Finance Center      |
|---------------------------|-----------------------------------------------|---------------------------------|
| 1                         | Army (active service)                         | Indianapolis, IN                |
| 2                         | Navy                                          | Cleveland, OH                   |
| 3                         | Air Force                                     | Denver, CO                      |
| 4                         | Marine Corps                                  | Kansas City, MO                 |
| 5                         | Coast Guard                                   | Washington, DC                  |
| 6                         | Army (retired pay)<br>Air Force (retired pay) | Indianapolis, IN<br>Denver, COI |

b. Based upon a monthly accounting period, all Class N allotment transactions processed by Army, Air Force, Coast Guard, Marine Corps and Navy finance centers are reported to the Philadelphia VA center on magnetic tape. A single alphabetic code identifies the type of transaction being reported.

| Transaction Code | Transaction Description                                  |
|------------------|----------------------------------------------------------|
| A                | ESTABLISHMENT (CURRENT AND RETROACTIVE EFFECTIVE DATES)  |
| B                | DISCONTINUANCE (CURRENT AND RETROACTIVE EFFECTIVE DATES) |
| D                | ESTABLISHMENT (CHANGE OF SSN)                            |

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| Transaction Code | Transaction Description                       |
|------------------|-----------------------------------------------|
| E                | DISCONTINUANCE (CHANGE OF SSN)                |
| J                | INACTIVE ALLOTMENT ADJUSTMENT (CREDIT DUE VA) |
| K                | INACTIVE ALLOTMENT ADJUSTMENT (CREDIT DUE SD) |

c. All transactions, regardless of the type of action being reported, are merged on one tape in triple **terminal digit** social security account number order (000 through 999). **When an establishment transaction (code A) and a discontinuous transaction (code B) for the same insured are being reported simultaneously, the discontinuance transaction (code B) must always precede the establishment transaction (code A).**

d. (Deleted.)

e. The deduction transactions **are always reported under the NSLI-V fund** (code 1) without **regard to** the number and/or fund(s) of the policies which the insured **may have**. **Distribution** of funds is made, based **upon** the insurance policy prefix, when the transaction is **actually applied to the insurance account(s)**.

f. The service department will send the **monthly** Class N allotment **transaction tape or** punched cards, along with a **summary** record covering the certified run totals to **the Philadelphia VA Center**, Attention: Finance Officer, Finance Division, **in** sufficient time to arrive on or before the 10th **day** of the month following the date of the actual allotment deduction **from** the insured's active service or retired **pay**. The monthly payment check, payment voucher and a copy of the summary record **will** be forwarded by certified [ j **mail addressed to the Philadelphia VA Center**, Attention: Collections and Cashier Section. The monthly payment check will **also** be mailed **in sufficient time** to be received in the Philadelphia VA center on or before the date of receipt of the corresponding **allotment transaction magnetic tape or** punched cards.

g. The SLU (Subsidiary Ledger Unit), Finance Division, Philadelphia VA center, maintains a control ledger for each of the reporting offices to record the increase or **decrease** in the **total monetary amount** of the running allotments. The total running allotment amount at the beginning of the month, plus **the amount** of new establishments and minus the amount of the discontinuance **reported** during the accounting period **will constitute** the closing balance. This closing balance amount plus the retroactive establishment amount and the inactive allotment adjustment amount due the VA, minus the retroactive discontinuance **amount and** the inactive **allotment adjustment amount** due the service department, will constitute the check amount to be paid by the service department. The **summary record** of the certified run totals and the payment voucher will be verified against the control ledger. **The appropriate reporting** office will be immediately notified whenever the controlled balances do not agree and/or the various transaction **amounts** do not crossfoot.

h. The deduction transaction tape or punched **cards, along** with a completed summary information listing for run 160 prepared by the SLU, is delivered to the Philadelphia DPC (**data** processing center) for processing in accordance with a schedule prepared by the Philadelphia VA **center**. The Philadelphia DPC will immediately trap-print the allotment transaction **tape** on five-part paper. These listings **are distributed as follows:**

|               |                                                                                          |
|---------------|------------------------------------------------------------------------------------------|
| Original      | Insurance Specialist [(291)], <b>Insurance</b> Operations Division                       |
| Duplicate     | [ ] Subsidiary Ledger Unit (241), Finance Division                                       |
| Triplicate    | Policy Service Unit (292A), <b>Insurance</b> Operations Division                         |
| Quadruplicate | Policy Service <b>Unit</b> (292B) <b>Insurance Operations</b> Division                   |
| Duplicate     | [ ] Miscellaneous Accounts <b>and Service Unit</b> (292C), Insurance Operations Division |

i. These listings, which **are retained for 6 months, will** be used by all operating personnel [ ] when it becomes necessary to ascertain the current status of an insurance **account** which **reflects a** pending allotment establishment or change. The allotment transaction could have been reported by **the service department but not yet** processed against the insurance master record. If the [ ] allotment **transaction is** of record, the [ j information will be annotated on the record printout and appropriate action, including the refund of overdeductions, can be **taken immediately**. [ j

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## 29.03 COMPUTER PROCESSING OF ALLOTMENT TRANSACTIONS

### a. Allotment Control Tape

(1) The allotment control tape contains a record for each insured who is paying his [or her] insurance premiums and/or insurance policy loan/lien by a Class N allotment. These records are retained in ascending triple terminal-digit social security account number order (000 through 999). A separate control tape is maintained for each branch of service with one exception. There are two tapes for Army records since their active service and retired pay Class N allotments are reported to the VA on separate registers.

(2) Run 160 edits the format of all allotment transactions and reconciles the amount of money forwarded or withdrawn by the service department. Discrepancies are reflected on the run 160 transaction list for corrective action by the SLU. In addition, punched cards for all inactive allotment deduction transactions (codes J and K) are system generated for the insurance file number identification by the SLU. These transactions, when identified, are forwarded to the Policy Service Section for clerical adjustment of the corresponding insurance account. These transactions are not reinserted into run 170.

(3) Run 170, which services the deduction control tape, provides for the distribution of the allotment monetary amount to the various funds, appropriations and general ledger accounts. Records are created and deleted automatically by the allotment establishment and discontinuance transactions received from the service departments. VA Forms 29-5923, Allotment/DFB Input Card to Run 160, can also create, delete and change the records on the allotment control tape.

### b. Establishment Transactions

(1) Allotment establishment transactions received from the service department which pass the run 160 edit are processed in run 170 as follows:

(a) Run 170 inserts the establishment transaction on the allotment control tape. If an insurance file number is of record on the allotment control tape, input for run 140 is created to update the corresponding insurance master record. If the establishment transaction is unidentified, VA Forms 29-5969, Allotment/DFB Output Card, and VA Forms 29-5970, Allotment Identification Workcard, ADP are system generated for the insurance file number identification and subsequent insertion by the SLU.

(b) Run 170 also records the initial deduction amount as Total Unapplied and enters the Number of Months Unapplied (1 if a current deduction effective date is involved; a larger number if the deduction was established retroactively). When the entire allotment amount is recorded as Total Unapplied, the money is transferred from V-Undistributed Insurance Collections, to V-Unapplied Collections-Cash Collections, and is retained there until distribution input is subsequently received.

(2) When the allotment establishment output from run 170 is processed in run 140 and there is a corresponding insurance master record, the system either updates the insurance account or inserts the allotment establishment as a pending transaction type 120 (establishment of a deduction) or 129 (establishment of a deduction divided by the system so that the establishment can be partially processed (one policy) or processed (two policies)). It also creates input to insert the deduction segment into the insurance master record. If the corresponding insurance master record is not on tape, a VA Form 29-1675, Unassociated Transaction Control Card, and a VA Form 29-1675a, Unassociated Transaction Workcard, is generated by the system for correction of the insurance file number or insertion of the insurance master record by the MASU. In some cases, the insurance records must be obtained from the St. Paul VA center as outlined in chapter 22.

(a) When run 140 updates the insurance master record, it generates a punched card, transaction type 141, with distribution information. These punched cards are retained in a hold file in the Philadelphia DPC pending the next monthly runs 160/170. At that time they are used as input to effect distribution of the

Total Unapplied amount retained on the allotment control tape. They also set the distribution pattern for subsequent monthly allotment amounts.

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(b) If run 140 inserts the allotment establishment as a pending transaction type 120 or 129 because it cannot **properly** update the insurance master record, a VA Form 29-5886b, Insurance Record Printout (RPO), with a reason code in the 100 series, is system generated for clerical action.

(3) The system-generated distribution punched cards, transaction type 141, from run 140 and the clerically prepared VA Forms 29-5923 are processed with the next month's runs 160/170. At that time run 170 will:

(a) Deduct one monthly amount at a time from **the** Total Unapplied amount and distribute it in accordance with distribution information received. One month will also be deducted from the Number of Months Unapplied each time a monthly amount is distributed.

(b) Run 170 cannot distribute money directly to insurance policy loan/lien. If all or part of the deduction amount is for loan/lien, posting media will be generated for each month deducted from the Number of Months Unapplied. These posting media, transaction type 304, 305 or 306, are processed in run 140 to update the loan/lien segment of the insurance master record provided:

1. There are less than three policies for the insured;
2. There is no life or policy freeze;
3. The how paid indicator in the loan/lien segment of the insurance master record is compatible; and
4. The transaction amount agrees with the monthly repayment amount in the insurance master [record] loan/lien segment.

If the loan/lien posting media cannot be applied by the system, a pending transaction type 304, 305 or 306 is created and an RPO (record printout), with a reason code in the 300 series, is system generated for clerical action. All transaction types 306 ~ must be posted clerically since the amount is a lump sum representing more than one monthly deduction with more than one transaction date.

(c) When the Number of Months Unapplied is reduced to zero and there is still a remaining Total Unapplied balance, the system will distribute the remaining amount provided that it is less than one monthly premium. Otherwise, a VA Form 29-5923a, DFB Allotment Distribution Request, transaction type 114, will be generated for clerical distribution. These VA Forms 29-5923a, when clerically completed, are also processed with the next monthly runs 160/170.

(4) When the input for the next accounting month is being processed and run 170 has not received a distribution card, transaction type 141, from the prior month's run 140, a clerically prepared VA Form 29-5923 or 29-5923a or a discontinuance transaction from the service department, run 170, will:

(a) Add one monthly allotment amount to the Total Unapplied balance and transfer a like amount from V-Undistributed Insurance Collections to V-Unapplied Collections-Cash Collections.

- (b) Add 1 month to the Number of Months Unapplied.

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(c) Generate a punched card request for distribution transaction type 114, for processing in the following run 140.

(S) When the request for distribution from run 170 is processed in run 140, the system will take one of the following actions:

(a) If the pending establishment transaction has not been deleted from the insurance master record, it will disregard the request for distribution.

(b) If the pending establishment transaction has been deleted and all edit requirements have been met, it will generate a distribution punched card, transaction type 141, for input into the next monthly runs 160/170.

(c) If all edit requirements have not been met, a VA Form 29-5923a, code 114 or 115, and an RPO will be generated. Code 114, with distribution code 3, indicates distribution should be made of the Monthly Deduction Amount. Code 114, distribution code S, indicates distribution should be made of the Total Unapplied Amount. Code 115 indicates the deduction control record does not agree with the master record.

### c. Discontinuance Transactions

(1) Discontinuance transactions which do not match an allotment control record with the same social security number, or which reflect different original establishment effective dates or allotment amounts, are rejected in run 170 for reconciliation, correction and reinsertion by the SLU or returned to the reporting office if an excessive number of discrepancies exist.

(2) If the discontinuance transaction is acceptable, the deduction amount is deleted from the allotment control record. This skeletal allotment control record is retained for a period of 1 year, at which time it is automatically deleted from the allotment control tape.

(3) If there is no Total Unapplied balance in the allotment control record, run 170 will:

(a) Generate allotment discontinuance input for run 140 to update the insurance master record.

(b) Reverse all premium and TDIP amounts if the allotment was discontinued retroactively. If a loan/lien repayment amount is involved, the dollar amount of the loan/lien portions to be reversed is printed on the run 170 transaction list.

*NOTE: When the run 170 transaction list is received, the SLU will send a memorandum to the Policy Service Section asking them to reverse the corresponding loan/lien allotment payments.*

- (4) If there is a Total Unapplied balance in the deduction control record, run 170 will:
  - (a) Set the Number of Months Unapplied to zero.
  - (b) Deduct the retroactive amount withheld by the service department from the Total Unapplied balance, if the allotment was discontinued retroactively.
  - (c) Generate a distribution request for the Total Unapplied balance, if any.
  - (d) Generate allotment discontinuance input for run 140 to update the insurance master record.
- (5) When the allotment discontinuance output from run 170 is processed in run 140 and there is a corresponding insurance master record, the system will either update the account or insert the deduction discontinuance as a pending transaction type 100, 109 or 110.

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- (a) If run 140 updates the insurance master record, it deletes the deduction segment. In addition, if the discontinuance reason code indicates that the insured has been retired from active service (C for Army transactions; T for Air Force transactions) the system will insert a 120-day 951 policy freeze to prevent the release of premium notices, lapse letters, etc., pending the receipt of a Class N allotment from service retirement pay.
- (b) When run 140 inserts the allotment discontinuance as a pending transaction because it cannot logically update the insurance master record, an RPO, with a reason code in the 100 series, is generated for clerical action.
- (c) If the corresponding insurance master record is not on tape, VA Forms 29-1675 and 29-1675a are generated by the system. These Unassociated deduction discontinuances are processed by the MASU as outlined in chapter 21.

**d. Prior Pay Transactions**

- (1) Occasionally, the service department finance center will use paired transaction codes A (establishment) and B (discontinuance) to pay missing insurance premium payments which became due prior to the effective date of the current running allotment.
- (2) Since the effective date of these transactions are prior to the effective date of the current running allotment, they are rejected and VA Forms 29-5969 are system-generated for insertion into run 140 by the SLU.
- (3) Run 140 inserts these items as pending transaction types 120 and 100 and generates an RPO in the 100 series for clerical adjustment of the insurance master record.

**e. Multiple Allotment Transactions**

(1) Only one transaction code A (establishment) and/or one transaction code B (discontinuance) can be processed by the system simultaneously. If the service department finance center erroneously transmits multiple transaction codes A and/or B during the same accounting month, the excess transactions are rejected and VA Forms 29-5969 are system generated for reinsertion into runs 160/170 during the following accounting month by the SLU.

(2) When rejects are caused by the erroneous transmission of multiple allotment transactions, a miscellaneous diary is system-generated and inserted into the insurance master record. The ensuing RPO in the 100 series will reflect a diary message, MULTALLOT, to alert the recipient that the rejected transactions being controlled by the SLU must be considered before releasing a VA Form 29-1588, Request for Allotment Deduction Change, or dictated letter to the appropriate service department finance center and/or insured.

#### **29.04 CLERICAL PROCESSING OF ALLOTMENT TRANSACTIONS**

##### **a. Establishment Transactions**

(1) If run 140 cannot logically update the insurance account or there are more than two policies involved, the allotment establishment is inserted as a pending transaction type 120 on the insurance master record. When run 140 can only update one account on a two-policy case, the remaining portion of the allotment establishment is inserted as a pending transaction type 129. In either case, an RPO, with a reason code in the 100 series, is system generated for clerical action. A description of the various RPO reason codes is contained in MP-6, part II, supplement No. 1 A, chapter 1.

(2) The following actions will be taken when processing pending transaction types 120 and 129:

(a) Prepare transaction type 083 to update the premium segment of the insurance master record. Change the how paid code to 6 (allotment from service or retired pay). The first day of the deduction effective month and year will be used as the effective date how paid.

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1. Allotments cannot pay premiums more than 1 month in advance. If the current next month due is more than 1 month in advance of the deduction effective date, downdate the next month due. The resulting credit, plus any prior overage which is less than one monthly premium amount, will be refunded immediately.

2. If the deduction will pay premiums in arrears or on a month-to-month basis, the insured will be requested to make a direct payment in the amount necessary to place the deduction on a one month in advance, premium paying basis.

3. No action will be taken if the current how paid code is 5 (disability waiver) and the allotment deduction was established to pay premiums. The RPO will be immediately forwarded to the Insurance Claims Section for possible discontinuance of the disability waiver or discontinuance of the allotment deduction.

(b) Prepare transaction type 087 to update the TDIP segment if involved. If the deduction amount is insufficient to pay the combined insurance and TDIP premiums as intended, the deduction will be applied to pay the TDIP premium in full and the balance of the deduction amount will be applied to the basic insurance premium.

(c) If part or all of the deduction amount is for loan/lien repayment, prepare transaction type 025 (loan) or 026 (lien) to insert or change the monthly repayment amount and/or the deduction type in the loan/lien segment of the insurance master record.

(d) Prepare transaction type 040 (second day release) to insert, or a transaction type 050 to change the deduction segment, if necessary.

(e) Prepare transaction type 080 to insert or change the social security account number and/or insert or delete the retired service indicator, if necessary.

*NOTE: A VA Form 29.5896a, Life Input, containing a special batch number, must be used to insert or change the social security account number on a how paid 6 (allotment from service or retired pay) account. These forms must be delivered to the Systems Division, Philadelphia DPC, for special key punch instructions and subsequent insertion.*

(i) Prepare transaction type 098 to delete the pending transaction type 120 or 129.

(g) If one or more of the following conditions exist, prepare VA Form 29-5923, transaction type 131, to provide for the distribution of the Total Unapplied amount being retained on the deduction control tape:

1. Two-policy account with different policy funds.
2. The insured has three or more policies.
3. The deduction amount does not equal the total premium requirements, including any loan/lien repayment amount.
4. The full deduction amount is only for loan/lien repayment.
5. Multiple loan/lien repayments on one policy.
6. The total premium is more than \$99999.
7. The how paid code in the insurance master record is other than 6 (allotment from service or retired pay).

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(h) If the deduction amount does not agree with the total premium requirements, a VA Form 29-1588, will be prepared. These forms when completed as shown below, are forwarded to the Input/Output Section, Philadelphia DPC, for keypunching and release to the appropriate service department finance center.

| Card Column | Title        | Entry                      |
|-------------|--------------|----------------------------|
| 1           | BR. OF SERV. | CODE FOR BRANCH OF SERVICE |
| 2           | ALLOTCLASS   | ALWAYS ALPHA N             |

|             |                                   |                                                                                                                            |
|-------------|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| 3-11        | SERVICE OR SOCIAL SECURITY NUMBER | SOCIAL SECURITY NUMBER                                                                                                     |
| 12<br>13-20 | PREFIX INSURANCE FILE NUMBER      | INSURANCE FILE PREFIX PRECEDED WITH ZEROS IF LESS THAN EIGHT DIGITS                                                        |
| 21-35       | NAME CODE/BALANCE OF LAST NAME    | LAST NAME OF INSURED STARTING IN CC 21. MAXIMUM OF 15 CHARACTERS. UNUSED CC'S TO RIGHT OF NAME, IF ANY, WILL BE LEFT BLANK |
| 3641        | FIRST NAME                        | FIRST NAME OF INSURED STARTING IN CC 36.                                                                                   |
| —           |                                   | MAXIMUM OF 6 CHARACTERS. UNUSED CC'S TO RIGHT OF NAME, IF ANY, WILL BE LEFT BLANK.                                         |
| 42          | INIT                              | MIDDLE INITIAL OF INSURED. LEAVE BLANK IF NONE.                                                                            |
| 43          | TRANCODE                          | 1 -Establishment<br>2-Discontinuance<br>3-Increase<br>4-Decrease<br>5-Inactive Adjustment                                  |
| 47          | REAS. CODE                        | NUMERIC REASON CODE (see table below)                                                                                      |

| REASON CODE | EXPLANATION                                                                 | COMPATIBLE TRANSACTION CODE(S) |
|-------------|-----------------------------------------------------------------------------|--------------------------------|
|             |                                                                             | 3                              |
| 3           | TDIP added or end of TDIP premium-paying period                             | 3 or 4<br>2, 3 or 4            |
| 4           | Disability waiver                                                           | 2, 3 or 4                      |
| 5           | End of premium paying period on limited pay or maturing endowment contracts | 2 or 4                         |

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|             |             |                                 |
|-------------|-------------|---------------------------------|
| REASON CODE | EXPLANATION | COMPATIBLE TRANSACTION CODE (S) |
|-------------|-------------|---------------------------------|

|   |                      |                 |
|---|----------------------|-----------------|
| 6 | New insurance        | 1 or 3          |
| 7 | Reduction            | 4               |
| 8 | Reinstatement        | 1 or 3          |
| 9 | Inservice waiver     | 2 or 4          |
| 0 | Miscellaneous change | 1, 2, 3, 4 or 5 |

| Card Column | Title                    | Entry                                                                                                                                                               |
|-------------|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 48-53       | INSURANCE EFFECTIVE DATE | SINGLE-DIGIT MONTH AND DAY NUMBERS WILL ALWAYS BE PRECEDED BY A ZERO. IF TRANSACTION CODE IS 5, LEAVE BLANK.                                                        |
| 54-57       | ESTAB.                   | EFFECTIVE DATE OF NEW ALLOTMENT BEING REQUESTED.<br><br>SINGLE DIGIT MONTH NUMBERS WILL ALWAYS BE PRECEDED BY ZERO. IF TRANSACTION CODE IS 2 OR 5, LEAVE BLANK.     |
| 58-61       | DISC.                    | REQUIRED DISCONTINUANCE DATE OF CURRENT ACTIVE ALLOTMENT. SINGLE-DIGIT MONTH NUMBERS WILL ALWAYS BE PRECEDED BY ZERO. IF TRANSACTION CODE IS I, LEAVE BLANK         |
| 62-66       | AMOUNT                   | AMOUNT OF NEW ALLOTMENT BEING REQUESTED. LEAVE BLANK IF TRANSACTION CODE 152 OR 5.                                                                                  |
| 67-70       | ESTAB.                   | EFFECTIVE DATE OF CURRENT ACTIVE ALLOTMENT. SINGLE-DIGIT MONTH NUMBERS WILL ALWAYS BE PRECEDED BY ZERO. LEAVE BLANK IF TRANSACTION CODE IS I.                       |
| 71-74       | DISC.                    | DISCONTINUANCE EFFECTIVE DATE REPORTED BY SERVICE DEPARTMENT. SINGLE-DIGIT MONTH NUMBERS WILL ALWAYS BE PRECEDED BY ZERO. COMPLETE ONLY WHEN TRANSACTION CODE IS 5. |

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The originator will sign and date the completed VA Form 29-1588.

1. If the VA Form 29-1588 was prepared to establish or increase the allotment amount, a transaction type 082 will be prepared to insert a 951 policy freeze. In addition, a transaction type 008 will also be prepared to insert a 978 miscellaneous diary, callup code type 953, with the legend 1588 (followed by the numeric transaction and reason codes and the effective month number). The callup date for both inserts will be 120 days subsequent to date of preparation.

2. If the VA Form 29-1588 was prepared to discontinue or reduce the deduction amount, only the transaction type 008 need be prepared.

3. Upon receipt of the requested allotment transactions, the 951 policy freeze and/or the 978 miscellaneous diary will be automatically deleted by the system.

4. If the requested allotment transactions have not been processed through the system prior to the 120-day callup date, a followup RPO is system generated for clerical action. Unprocessed registers, if any, will be reviewed to determine if the requested change has been reported by the service department. If so, no further action is required. However, if there are no unprocessed registers or the review of unprocessed registers proves negative, another VA Form 29-1588 will be prepared. This form will be noted in red SECOND REQUEST in the upper right corner. The 951 policy freeze and/or the 978 miscellaneous diary will be clerically updated 120 days from the current date.

**b. Discontinuance Transactions**

(1) If run 140 cannot logically update the account or there are more than two policies involved, the deduction discontinuance is inserted as a pending transaction, type 100, in the insurance master record. If the deduction was discontinued retroactively, a pending transaction, type 110, will be inserted. When run 140 can only update one account on a two policy case, the remaining portion of the deduction discontinuance is inserted as a pending transaction type 109. In each case, an RPO with a reason code in the 100 series, is system-generated for clerical action. A description of the various RPO reason codes is contained in MP-6, part II, supplement No. 1.4, chapter 1.

(2) If the current how paid code is 5 (disability waiver), the RPO will be immediately forwarded to the Insurance Claims Section for determination as to the accuracy of the disability waiver refund which was previously authorized on an assumption basis. Corrective action, if any is required, and deletion of the pending transaction will be taken by the Insurance Claims Section.

(3) The following actions will be taken when processing all other pending transaction types 100, 109 and 110:

(a) Prepare transaction type 083 to update the premium segment of the insurance master record. Change the how paid code to 9 (direct pay), Use the first day of the discontinuance effective month number for the effective date how paid. Determine and update the next month due.

1. If the allotment was paying premiums on a 1 -month-in-advance basis, the next month due will be the second calendar month following the allotment discontinuance effective date.

2. If the allotment was paying premiums on a month-to-month basis, the next month due will be the calendar month following the allotment discontinuance effective date.

3. If the allotment was paying premiums on a 1-month-in-arrears basis, the next month due will be the same as the deduction discontinuance effective date.

(b) Prepare transaction type 087 to update the TDIP segment, if involved.

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• (c) If all or part of the allotment amount was for loan/lien repayment, the following action will be taken:

1. If the pending transaction type is 100 or 109, prepare transaction type 025 (loan) or 026 (lien) to delete the monthly repayment amount and the deduction type from the loan/lien segment.

2. If the pending transaction type is 110 (retroactive allotment discontinuance effective date) and/or a memorandum is received from the SLU as stated in paragraph 29.03c(3) [NOTE], prepare transaction type 065 (loan) or 066 (lien) to adjust the loan/lien balance; delete the monthly repayment amount and the deduction type from the loan/lien segment. The last day of the month is used when posting loan/lien allotment repayments. Bad check control account procedures as provided in chapter 24 are used for adjusting loan/lien moneys. Accountability of the loan/lien reversal amount will be shown on the input by debiting Cash Collections 02 (loan) or 06 (lien) and crediting Undistributed Insurance Collections 38. These transactions will be forwarded to the SLU along with an endorsed copy of their memorandum for control and insertion.

(d) Prepare transaction type 090 to delete the deduction segment from the insurance master record.

(e) If the allotment discontinuance reason code indicates that the insured has been retired from active service (C for Army transactions; T for Air Force transactions) prepare transaction type 082 to insert a 120-day callup 951 policy freeze to prevent the release of premium notices, lapse letters, etc., pending the receipt of a Class N deduction from service retirement pay. Upon receipt of the retired pay Class N allotment establishment, the 951 policy freeze will be automatically deleted by the system.

(f) Prepare transaction type 098 to delete the pending transaction type 100, 109, or 110.

**c. Inactive Allotment Transactions**

(1) Changes in the monthly deduction amount and/or effective date(s) of allotments which were previously discontinued, are reported by the service departments as inactive allotment transactions [as] code J (credit due VA) or code K (credit due service department).

(2) Punched cards for these transactions are generated by run 1 60 for insurance file number identification by the SLU. These transactions cannot be processed by run 1 70. Therefore, when

identified, they are forwarded to the Policy Service Section for clerical adjustment of the insurance account.

(3) In order to insure completion of the required action, these transactions are received and controlled by a designated employee in the Policy Service Section. An RPO will be requested and appropriate action will be taken which may include a change in the next month due and/or the overage/shortage amount, establishment or deletion of liens, authorization of refunds and/or additional dividends, etc.

(4) The net adjustment amount received from the service department was automatically placed in the NSLI-V fund (code 1). Therefore, transactions to adjust the fund or account must also be prepared when necessary.

(5) If there is no insurance master record on tape, the inactive allotment transaction punched card will be forwarded to the MASU for association with the insurance records and completion of adjustment action.

(6) When adjustment action has been completed, all inactive allotment deduction transaction punched cards will be stamped Ready for File [initialed, dated -1 and filed in the insurance folder.

**d. Prior Pay Transactions**

(1) Prior pay transactions will appear as pending transaction types 120 and 100 on a system-generated RPO in the 100 series. The effective date of both transactions will be prior to the effective date of the current running allotment.

(2) Normally these transactions provide for the payment of insurance premiums which became due prior to the effective date of the current running allotment. Therefore, history lookup may be necessary to determine the required adjustment

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action. In some cases, the adjustment action may be prior to the ADP conversion and will require reference to photocopies of ~ the premium record card and/or other historical records.

(3) The full amount of the prior pay transaction was placed in the Premiums-Cash Collections account in the V fund. When the adjustment action is taken and the fund and/or account is different, the proper documents will be prepared to adjust the fund and/or account. However, a VA Form 29-5923, **will** not be prepared to make distribution of the allotment amount or change the effective date of the current running allotment.

**e. Multiple Allotment Transactions**

(1) When a system-generated RPO in the 100 series reflects a miscellaneous message, MULTALLOT, there are additional allotment transactions which were rejected by run 170. These rejected transactions which are controlled by the SLU pending reinsertion during the following accounting month must be considered before releasing a VA Form 29-I 588 or dictated letter to the appropriate service department finance center and/or insured.

(2) [ ] These rejected transactions will appear on the trap-print listings as outlined in paragraph 29.02i. [ ]

## 29.05 CLERICAL PROCESSING OF REQUESTS FOR DISTRIBUTION

a. Requests for distribution, transaction type 114 from run 170, will be rejected in run 140 under the following conditions:

- (1) Three-or-more policy case.
- (2) Amount of monthly deduction does not equal the total premium amount including loan/lien repayment amount.
- (3) Multiple loan/lien accounts on any one policy.
- (4) Deduction amount for repayment of loan/lien only.
- (5) Total premium is more than \$999.99.
- (6) Monthly deduction amount previously distributed but odd amount remains in Total Unapplied.
- (7) How paid code is not 6 on life and/or TDIP.
- (8) Monthly repayment amount and/or deduction type incorrect or not shown in loan/lien segment.
- (9) Social security number, reporting office and/or effective date fields in the insurance master record do not match with like fields in the request for distribution.
- (10) No deduction segment in the insurance master record.

b. The rejected requests for distribution, transaction type 114, are mechanically reproduced into VA Forms 29-5923a. A reject reason code 114 or 115 will be interpreted in the name code field. The [Analysis and Control Section] , DPC, will associate the VA Forms 29-5923a with the corresponding RPO's, reason code 114 or 115 which were simultaneously system generated and forward them to the Policy Service Section.

c. The reject and RPO reason code 114 or 115 will indicate the type of clerical action required.

### (1) Reason Code 114

(a) A distribution code 3 (transaction type 131) interpreted on the VA Form 29-5923a indicates that distribution of the

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Monthly Deduction Amount is required. A distribution code 5 (transaction type 151) indicates that distribution of the Total Unapplied amount is required.

(b) The RPO and other insurance records, if necessary, **will** be reviewed to determine the proper distribution of the amount shown on the VA Form 29-5923a.

(c) Distribution will be made by entering the amount(s) and fund in card columns 47 through 73. All other necessary information is prepunched in the card.

(d) VA Forms 29-5923a can only be used to distribute deduction amounts within the same fund. If more than one fund is involved, a separate VA Form 29-5923 must be prepared for each additional fund.

(2) **Reason Code 115**

(a) Reason code 115 reflects that a discrepancy exists between the deduction control record and the insurance master record in one or more of the following fields:

1. Social Security Number.
2. Reporting Office.
3. Effective Date.
4. How Paid Code.

(b) The RPO and other insurance records, if necessary, will be reviewed to ascertain the discrepant field. If the master record is incorrect, prepare input to change the master record. **If** the deduction control record is incorrect, advise the SLU by memorandum of the required correction.

(c) Distribution of the allotment amount will only be made if the how paid code in the insurance master record is not and should not be 6. All other VA Forms 29-5923a, reject reason code 115, may be destroyed.

d. VA Forms 29-5923a are forwarded directly to the [Analysis and Control Section] for keypunching and insertion into the hold file pending the next runs 160/170. VA Forms 29-5923 are forwarded to the SLU for batch control purposes prior to being keypunched.

29.06 USE OF RPO TO SECURE ALLOTMENT INFORMATION

a. Upon receipt of a system-generated allotment followup RPO or any communication which indicates that a Class N allotment establishment or change was authorized by the insured, and the insurance master record has not been updated, the following action will be taken:

(1) [j] The trap-print listings of the allotment transactions reported by the respective service departments will be reviewed to determine if the allotment establishment or change was reported to the VA.

(a) If the review proves negative a VA Form 29-1588 will be prepared as outlined in paragraph 29.04a(2)(h). If a communication which requires a reply is involved, advise the correspondent of the action taken by the VA.

(b) **If flu** allotment establishment or change has been reported and is pending insertion into run 140, based upon the computer-processing schedule prepared by the Philadelphia VA center, status can be furnished the correspondent, if necessary; otherwise, no further action is required.

(c) If the allotment transaction in question has been reported and should have been previously inserted into run 140, the RPO will be used, as outlined below, to locate the missing transaction.

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(2) The RPO will be used to obtain allotment information when:

(a) [(Deleted.)]

(b) Allotment transactions which were reported by the service department and processed through run 140 must be located. These missing transactions could be unidentified, Unassociated or rejected items.

(c) The amount and/or effective date of the current active allotment which was reported prior to the earliest trap-print listing available must be confirmed.

(d) The amount(s) and/or establishment and discontinuance date(s) of a prior allotment(s) must be obtained for audit purposes or completion of action on a death claim, cash surrender, matured contract payable, etc.

b. When the RPO is used to obtain allotment information, the following entries will be made, in red, on the RPO. If multiple policies are involved, RPO's will be stapled together and the entries will be made on the first RPO.

(1) Insert the following routing instructions in the upper right corner of the RPO reason code area:

(a) SLU (241B)

(b) Originating unit (symbol).

(2) Underline the reporting office code and social security number. Insert and underline this information if not preprinted on the RPO.

(3) In the upper portion of the pending transaction area, insert the allotment information which should be confirmed. Include the transaction type (establishment, discontinuance or both discontinuance and establishment), the allotment amount(s) and effective date(s). Also enter the date and type of any interim information received from the service department or insured. The originator will initial and date the request directly below these entries.

(4) The RPO's will be forwarded to the SLU. The originator will retain the insurance folder as a followup control.

c. The SLU will review the latest run 730a deduction control listing and subsequent registers, if any, for the requested allotment information and take the following actions:

(1) If the allotment establishment or change has not been reported by the service department, the latest allotment information available or the notation *No allotment of record*, will be inserted in the lower portion of the pending transaction area. The entry will be initialed and dated and the RPO returned to the originating unit.

(2) If the transaction(s) is located as an unidentified item or is pending insertion into run 140, the confirming entry will include the approximate insertion date. The confirming entry will be initialed and dated and the RPO returned to the originating unit.

(3) If the transaction in question was inserted into run 140 subsequent to the date of preparation of the RPO, the confirming entry will include the actual insertion date. The confirming entry will be initialed and dated and the RPO returned to the originating unit.

(4) If the transaction was inserted prior to the date of preparation of the RPO and/or was inserted with an incorrect insurance file number, the confirming entry will include the actual insertion date and the erroneous insurance file number **if** known. The confirming entry will be initialed and dated and the RPO routed to the MASU for location, correction and reinsertion of a possible Unassociated transaction. MASU will endorse the original confirming entry by showing:

(a) No record unassociated transaction.

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- (b) Actual reinsertion date if previously inserted.
- (c) Approximate insertion date if unassociated transaction is located and is being reinserted.

After the endorsement is initialed and dated, the RPO will be returned to the originating unit.

d. Upon receipt of the returned RPO, the originator will take the following action:

(1) If the allotment transaction(s) has not been reported by the service department, a VA Form 29-1588 will be prepared as outlined in paragraph 29.04a(2)(h). If necessary, advise the correspondent of the action taken by the VA. If a death claim is involved, a teletype requesting discontinuance of the allotment will be used in lieu of VA Form 29-1588.

(2) If the allotment transaction(s) was or will be inserted subsequent to the date of preparation of the RPO, the account will not be clerically updated. Status can be furnished the correspondent, if necessary; otherwise, no further action is required.

(3) If the allotment transaction(s) was inserted prior to the date of preparation of the RPO and there is no record in MASU, a history transaction will be requested. If the pending allotment transaction was clerically deleted without updating the insurance master record, the account can be clerically updated and status furnished the correspondent, if necessary.

#### **29.07 DIRECT PAYMENTS RECEIVED ON ALLOTMENT ACCOUNTS**

**a.** Class N allotments cannot be applied to pay premiums more than 1 month in advance. Payments in excess of this criterion are subject to immediate refund as stated in paragraph 29.04a(2)(a)L. Therefore, direct payments received on allotment accounts will only be accepted to:

(1) Place the account on a 1-month-in-advance premium-paying basis. This payment will be immediately applied to update the next month due.

(2) Repay loan/lien indebtedness. This payment will be immediately applied to update the loan/lien segment.

(3) Repay premium shortages. This payment will be immediately applied to update the premium segment.

(4) Validate a policy conversion or change of plan. This payment will be retained as a non-interest-bearing credit pending the required change in the allotment amount.

(5) Pay future premiums provided the insured indicates that he [or she] has authorized the discontinuance of his [or her] allotment. This payment will be retained as a non-interest-bearing credit pending the receipt of the allotment discontinuance.

(a) Insert a 120-day 978 miscellaneous diary, callup code 953, to insure the prompt and proper disposition of the payment credit. If the allotment discontinuance has not been reported prior to the callup

date, advise the insured that the non-interest-bearing credit is being refunded since the allotment has not been discontinued.

(b) If the allotment discontinuance is received prior to the callup date, the 978 miscellaneous diary **will** be automatically deleted by the system. The payment credit will then be applied to pay premiums. If the credit is sufficient to pay at least 3 months' premiums **in** advance, a discount will be allowed. In calculating the discount value, the premium due date following the last month paid by allotment will be considered as the date of tender of the payment credit.

(c) If a refund of the payment is requested before the allotment is discontinued, only the actual amount tendered will be refunded since the payment was retained as a non-interest-bearing credit.

b. Inquiries regarding the acceptability of direct payments on allotment accounts will be answered accordingly.

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c. When a direct payment is received **on** an allotment account and the intent of the insured is unknown, a dictated letter will be used to advise the insured of the limited acceptability of such payments. The payment will be retained as a non-interest-bearing credit pending a reply. A 60-day to 978 miscellaneous diary will be inserted to insure followup action.

(1) Upon receipt of the insured's reply, action will be taken in accordance with paragraph 20.07a.

(2) If a reply is not received prior to the callup date, the insured will be advised that the payment is being refunded.

**29.08 PROCESSING OF RENEWED TERM ACCOUNTS WITH ALLOTMENT SHORTAGE**

a. If the renewal allotment increase has not been processed through run 140 within 5 months of the actual renewal date, an RPO, reason code 951, is system generated for clerical followup action.

b. Upon receipt of the 951 RPO, current allotment information will be obtained as outlined in paragraph 29.06, to determine if the allotment increase was reported to the VA by the service department and is currently pending insertion into run 140. If so, no further clerical action is required.

c. If the allotment increase has not been reported to the VA as of the latest available register (a VA Form 29-1588 will be prepared as outlined in paragraph 29.04a(2)(h) to request the increased amount. Insert a 120-day 978 miscellaneous diary callup code type 953 and advance the 951 policy freeze callup date to agree with the 978 miscellaneous diary callup date.]

**29.09 PROCESSING OF CONVERTED ACCOUNTS WITH ALLOTMENT SHORTAGE**

a. When a term allotment account is converted to a permanent plan, (the service department finance center is authorized to increase the Class N allotment to agree with the converted monthly premium. Simultaneously, a 120-day 951 policy freeze is inserted in the insurance master record. If the allotment increase has not been processed through run 140 prior to the callup date, an RPO, reason code 951, is system generated for clerical followup action.

b. Upon receipt of the 951 RPO, current allotment information will be obtained as outlined in paragraph 29.06, to determine if the allotment increase was reported to the VA by the service department and is currently pending insertion into run 140. If so, no further clerical action is required.

c. If the allotment increase had not been reported to the VA as of the latest available register and the insured did not submit a direct payment to validate the conversion, [prepare a VA Form 29-1588 as outlined in paragraph 29.04a(2)(h). Request a retroactive effective date of change to provide for payment of the converted premium on a month-in-advance basis].

#### 29.10 CLASS E ALLOTMENT

a. Only civilian employees of the various service departments, who are employed overseas, can pay their United States Government Life Insurance and/or National Service Life Insurance premiums by a Class E allotment from their civilian pay.

b. Occasionally, an active service member or retiree will erroneously authorize the establishment of a Class E allotment from their active service or retired pay, in lieu of the required Class N allotment, for payment of their insurance premiums.

c. The service department finance centers use U.S. Treasury Department checks to transmit Class E allotment payments to the VA. These checks are processed through the Reconciliation and Deposit Unit, Finance [ ] Division, as direct payments. Since the how paid code 9 (direct pay) is retained when the insurance master record is updated, these allotment payments are not readily identifiable.

d. A control record of every Class E allotment payment received is retained by the Reconciliation and Deposit Unit. These controls are maintained in alphabetical surname order for each branch of service. When a Class E allotment is identified as an insurance premium payment, it is inserted as a transaction type 201 (not paid as billed) item. Simultaneously, a transaction type 088 is prepared to insert a nonfreeze 978 miscellaneous diary, callup code 971, with the legend CL E ALLOT BR (followed by the branch of service code) with a callup date 10 days from the current date.

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e. Upon receipt of the RPO, reason code 971, in the Policy Service Section, a letter will be released to the appropriate service department finance center requesting the discontinuance of the **Class E allotment** and the establishment of a Class N allotment as of a current date. The 978 miscellaneous diary callup date will be changed to 120 days from the current date.

#### 29.11 ADJUSTMENT OF ALLOTMENTS

a. In accordance with Comptroller General's Decision B 123209, January 25, 1956, as contained in Decisions of the Comptroller General of the United States, 35 Comp. Gen. 418, the service departments cannot establish allotments from active service or retired pay to collect United States Government Life Insurance and/or National Service Life Insurance premiums unless:

(1) The service member or retiree actually authorized the allotment.

(2) The service member ratified the payment of insurance premiums on his [or her] behalf by knowingly accepting a benefit arising out of such payment.

b. Accordingly, it is considered that this decision permits the service departments to satisfy VA requests for allotment payment if the insured signed an allotment authorization, but premiums were not

deducted from his [or her] service or retired pay, or if deducted were not reported to the VA, or **if** the insured knowingly accepted a benefit, such as an insurance dividend, arising from the payment of premiums by allotment.

c. In addition, and by mutual agreement, the service department **will** take full credit for any and **all** allotment overpayments made to the VA immediately upon detection of such overpaid amounts by the service department. However, the service department will reimburse the VA for any and all overpayments of insurance benefits which resulted from the delayed receipt by the VA of such allotment retroactive discontinuances or inactive allotment adjustments. Such reimbursements will be made in the amount of the insurance benefit overpayment or in the total amount of premiums payable through the premium month in which the overpayment was made, whichever is the lesser.

d. Whenever an insured contests the nonreceipt of an allotment by the VA, or the allotment amount currently being received by the VA, or an insurance benefit overpayment is created due to the delayed receipt of an allotment discontinuance or inactive allotment adjustment, the following action will be taken:

(1) A letter will be released to the appropriate service department finance center citing the circumstances involved and requesting the establishment or adjustment of the allotment. **If** an insurance benefit overpayment is involved, specifically state the reimbursable amount payable to the VA by the service department.

(2) Prepare a transaction type 082 to insert a 951 policy freeze. In addition, a transaction type 008 will also be prepared to insert a 978 miscellaneous diary, callup code type 971, with the legend SD ADJ LTR. The callup date for both inserts will be 120 days subsequent to the date of release of the adjustment letter.

1986 DFB PROCESSING SCHEDULE

1. ORGANIZATIONAL ELEMENTS AFFECTED: Insurance Operations Div. -  
VAROIC Operations Division -  
VARDPD

2. REFERENCES: M29-1, Part II, Chapter 30, Paragraph 30.06

3. PURPOSE: To furnish 1986 cut-off dates covering the preparation and transmission of the monthly magnetic transaction tape to the Hines DPC and the Manila Regional Office.

4. PROCEDURE:

- a. The monthly magnetic transaction tape will be transmitted in the calendar month preceding the accounting (register) month during which the transactions are to be effected.
- b. DFB requests stored in the Temporary Data File on the Insurance Terminal System will be sent to the Input Unit, Philadelphia DPC in accordance with the following cut-off schedule:

| <u>REGISTER</u><br><u>MONTH</u> |      | <u>ENTER</u><br><u>BY</u> | <u>ADP GENERATED</u><br><u>DFB REQUESTS</u> | <u>TRANSFERRED TO</u><br><u>HINES/MANILA</u> |
|---------------------------------|------|---------------------------|---------------------------------------------|----------------------------------------------|
| JAN.                            | 1986 | 12-17-85                  | 12-17-85                                    | 12-18-85                                     |
| FEB.                            | 1986 | 01-16-86                  | 01-16-86                                    | 01-17-86                                     |
| MAR.                            | 1986 | 02-14                     | 02-14                                       | 02-18                                        |
| APR.                            | 1986 | 03-17                     | 03-17                                       | 03-18                                        |
| MAY                             | 1986 | 04-17                     | 04-17                                       | 04-18                                        |
| JUN.                            | 1986 | 05-15                     | 05-15                                       | 05-16                                        |
| JULY                            | 1986 | 06-17                     | 06-17                                       | 06-18                                        |
| AUG.                            | 1986 | 07-17                     | 07-17                                       | 07-18                                        |
| SEPT.                           | 1986 | 08-15                     | 08-15                                       | 08-18                                        |
| OCT.                            | 1986 | 09-17                     | 09-17                                       | 09-18                                        |
| NOV.                            | 1986 | 10-16                     | 10-16                                       | 10-17                                        |
| DEC.                            | 1986 | 11-17                     | 11-17                                       | 11-18                                        |

2.

5. CONCURRENCE: The Director, Philadelphia Data Processing Center concurs.

6. RESCISSION: VAC Circular 29-84-3 is rescinded as of January 3, 1986.

CAREY

,ROBERT W.

Director

DISTRIBUTION:

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- E-I-2-3-5
- F-1-3-6-8-12-15-21-22-26-29-33
- R-2-5
- 5-1-2**
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VA Regional Office and Insurance Center  
Philadelphia, PA

Circular 29-84-2  
December 13, 1984

1985 SCHEDULE  
CONTROL OF DUPLICATE AND INVALID FORMS 29-5926

1. ORGANIZATIONAL ELEMENTS AFFECTED: Insurance Operations Div. - VAROIC  
Operations Division - VARDPC Analysis and  
Control Div. - VARDPC
2. REFERENCE: M29-1, Part II, Chapter 30, Paragraph 30.O6g
3. PURPOSE:
  - a. To provide the 1985 schedule covering the DPC processing procedure which detects duplicate and invalid VA Forms 29-5926 prior to the card-to-tape operations.
4. PROCEDURE:
  - a. Detailed procedures for processing these VA Forms 29-5926 are outlined in M29-1, Part II, Paragraph 30.O6g.
  - b. Following is the 1985 schedule for the DPC selection of duplicate and invalid VA Forms 29-5926:

| <u>ACCOUNTING</u><br><u>MONTH</u> | <u>DPC</u><br><u>SELECTION</u><br><u>DATE</u> | <u>LISTING TO</u><br><u>POLICY SERVICE</u><br><u>UNITS BY COB</u> | <u>LISTING TO</u><br><u>1/0 UNIT</u><br><u>BY COB</u> |
|-----------------------------------|-----------------------------------------------|-------------------------------------------------------------------|-------------------------------------------------------|
| 01/85                             | 12/3/84                                       | 12/5/84                                                           | 12/10/84                                              |
| 02/85                             | 01/4/85                                       | 01/8/85                                                           | 01/11/85                                              |
| 03/85                             | 02/01                                         | 02/05                                                             | 02/08                                                 |
| 04/85                             | 03/01                                         | 03/05                                                             | 03/08                                                 |
| 05/85                             | 04/05                                         | 04/09                                                             | 04/12                                                 |
| 06/85                             | 05/03                                         | 05/07                                                             | 05/10                                                 |
| 07/85                             | 06/07                                         | 06/11                                                             | 06/14                                                 |
| 08/85                             | 07/05                                         | 07/09                                                             | 07/12                                                 |
| 09/85                             | 08/02                                         | 08/06                                                             | 08/09                                                 |
| 10/85                             | 09/06                                         | 09/10                                                             | 09/13                                                 |
| 11/85                             | 10/04                                         | 10/08                                                             | 10/11                                                 |
| 12/85                             | 11/01                                         | 11/05                                                             | 11/08                                                 |

5. CONCURRENCE: The Director, Philadelphia Data Processing Center concurs.

6. RESCISSION: VAC Circular 29-83-4 is rescinded.

DISTRIBUTION:

A-1

D-1

E-I -2 -3 -5

F-I-3-6-8-12-15-21-22-26-29-33

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**January 15, 1973**

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## CHAPTER 30. DEDUCTION FROM BENEFIT PAYMENT ACCOUNTS

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**CHAPTER 30. DEDUCTION FROM BENEFIT PAYMENT ACCOUNTS****30.01 GENERAL**

a. **The** insured can pay premiums on insurance, including the TDIP (Total Disability Income Provision), by authorizing deductions from the benefit payment he [or she] receives, provided the monthly award amount is sufficient for this purpose. Monthly deductions may also be authorized by the insured for loan and/or lien repayment.

b. Deduction authorizations are also acceptable for payment of the initial premium in connection with conversion, reduction or change of plan, including the addition of TDIP rider, provided the insurance contract to be converted, reduced or changed is currently being paid in this manner. A new authorization will not be required if the application reflects the method of payment to **be** deduction from benefit payments. The initial premium on RH insurance may be paid by deduction from benefit payments.

c. Deduction authorizations are not acceptable as a medium of payment to effect reinstatement of lapsed insurance, the payment of the initial premium on new insurance other than RH, or the total disability income provision to be attached to a new policy.

d. Deductions for insurance purposes can be made from the following benefit payments:

(1) Service-Connected Disability Compensation. Monthly payment made by the VA to a veteran because of a service connected disability.

(2) Non-Service-Connected Disability Pension. Monthly payment made by VA to veteran because of a nonservice connected disability.

(3) Death Compensation. Monthly payment made by VA to [surviving spouse], child or parent of a veteran because of service connected death occurring before January 1, **1957**.

(4) Dependency and Indemnity Compensation. Monthly payment made by VA to [surviving spouse], child or parent of a veteran because of service connected death occurring after December 31, **1956**.

(5) Death Pension. Monthly payment made by VA to [surviving spouse] or child of a veteran because of non-service-connected death of veteran.

(6) Selection of Optional Settlement by Beneficiary. Monthly installments of insurance benefits made by VA to beneficiaries of policyholders of Government life insurance.

Maintenance of payment records for [subparagraphs] (1) through (5) above are under the jurisdiction of the Data Processing Center, Hines, Illinois, or the Manila regional office.

Insurance payment records for [subparagraph (6)] are maintained by the St. Paul and Philadelphia VA centers based on the geographic location of the payees.

e. All insurance accounts maintained by deduction from benefit payments are located in the Philadelphia VA center.

f. An authorization may be executed by an insured to supersede an existing authorization in any amount representing an increase, decrease, or discontinuance of the amount of deduction in effect. These secondary authorizations will be processed in the same manner as the original.

### **30.02 DFB AUTHORIZATIONS, FORMAT AND INITIAL PROCESSING**

a. Authorization for insurance deductions from benefit payments may be made on VA Form 29-888, Insurance Deduction

~ Authorization, or any written form containing the required data. When an authorization for deductions is executed by the insured, it should be submitted to the VA center having jurisdiction of the veteran's insurance account.

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Change 16**

**May 12, 1980**

b. VA Forms 29-888 and informal deduction authorizations received in the Philadelphia VA Center will be coded S/F (status/folder) in the upper right corner by the Receipt and Dispatch Unit. The coded authorizations will be sent to the [DPC] EAM Key punch Unit to be used as source documents for the preparation of RPO requests. After the requests have been prepared, the authorization will be delivered to the [Insurance Files] Section for association with the requested RPO and insurance folder before being delivered to the Policy Service Section.

*NOTE: All nonmedical applications with VA Forms 29-888 or informal deduction authorizations attached will be coded Os F and, when associated with the requested RPO and insurance folder, will also be sent to the Policy Service Section. All medical applications with VA Forms 29-888 or informal deduction authorizations attached will be coded Os F298 A or B and, when associated with the requested RPO and insurance folder, will be sent to the Medical Determination Unit.*

c. If the RPO request is rejected because no insurance master record exists, the authorization will be sent to the local Index Unit for insurance file number verification. Routine processing procedures will be resumed whenever a new insurance file number is furnished by the local Index Unit. All authorizations returned by the local Index Unit without new insurance file numbers are sent to the Analyzer Transfer Group where insurance file number identification will be requested from BIRLS (Beneficiary Identification and Records Locator Subsystem). When the original insurance file number furnished by the insured is confirmed by either the local Index Unit or BIRLS, the insurance records will be requested from the St. Paul VA center by the Analyzer Transfer Group.

d. When an acceptable VA Form 29-888, or informal deduction authorization, with or without a medical-nonmedical application attached, is received in the St. Paul VA center and the insurance records are in that office, [ ] a 90-day 951 policy callup freeze will be inserted in the master record and all insurance records will be immediately transferred to the Philadelphia VA center. [The insured should be advised of the transfer.] If the insurance records cannot be located in the St. Paul VA center, the VA Form 29-888 or informal deduction authorization [ ] will be sent to the Philadelphia VA center.

### **30.03 REVIEW OF DFB DEDUCTION AUTHORIZATIONS FOR ACCEPTABILITY**

a. To determine the acceptability, the Policy Service [Technician] or Lay Medical Approver will review the VA Form 29-888 or informal deduction authorization as follows:

(1) *Item 1A.* Verify name [and address] with the insurance records. [If a change of address is indicated, prepare VA Form 29-5891a, Address or Trailer Input Delete, as outlined in MP-6, part II, supplement No. 2.1, section 109.00.]

(2) *Item 2.* Enter insurance file number if not shown.]

(3) *Item 3.* Verify with claim number on insurance records. If incorrect or blank, enter correct number. If not shown, obtain claim number from BIRLS.]

(4) *Item 4*

(~) Amount shown must be enough to pay the required premiums. If the item is blank, the authorization will be accepted if the amount shown in item 6 is sufficient to pay the required premium and/or any loan/lien amounts indicated.

(b) Amount shown is not enough to pay the required premiums, reject the authorization and file it in the insurance folder and refer the file to the correspondence clerk for a letter to the insured

(5) *Item 5.* Verify requested action, change if necessary; insert if omitted.]

(6) *Item 6.* If the insured authorized a premium deduction in the wrong amount, correct item 6 provided the new total deduction amount does not exceed the amount shown in item 4. Ignore existing overages and shortages. Do not add or subtract them from the required monthly premium amount. Advise the insured of the correct premium deduction amount

(7) *Item 7.* Must contain the insured's signature.]

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**May 12, 1980**

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(8) *Item 8.* The insurance contract must be in force on the date that the authorization was mailed.]

b. If the VA Form 29-888 or informal reduction authorization is not acceptable, draw a red diagonal line across the face of the authorization and write the reason for disapproval on that line. Send the disapproval authorization and a partially completed new VA Form 29-888, if in order, and the folder to the Correspondence Clerk for a letter to the insured explaining the reason for disapproval.

#### **30.04 PROCESSING OF ACCEPTABLE DFB DEDUCTION AUTHORIZATIONS**

a. Requested deduction transactions are forwarded to the Hines DPC (via magnetic tape) and to the Manila regional office and Philadelphia VA center by use of VA Form 29-5926, Request for DFB Action, on or before the 25th day of each month.

A cutoff date schedule for the necessary preliminary clerical processing is prepared by the Philadelphia VA center.

b. The effective date of deduction establishments and increases can be earlier, but not later, than the accounting month in which the requested deduction transactions are sent to the Hines DPC, Manila regional office and the Philadelphia VA center. Normally, establishment transactions will be made effective as of the accounting month during which they are sent to the reporting offices. The insured will be requested to pay all missing premiums, if any, which are necessary to place his or her account on a 1-month-in-advance premium-paying basis before the effective date of the deductions. The usage of retroactive effective dates for establishment transactions will be restricted to those accounts which require an unusual adjustment action and for RH accounts. If the necessary premium payment(s) have not been received prior to the receipt of the deduction establishment, a lien will be established to pay the missing premium(s). The procedure and necessary calculations to be made for retroactive effective date transactions are outlined in paragraph 30.13.

c. If the insurance premiums are paid in advance of the current processing date, the deduction establishment transaction will be made effective 1 month prior to the next month due. These postdated effective date deduction transactions are retained in a Hold File which is maintained by the Philadelphia DPC.

d. Deduction discontinuance and decrease transactions cannot be made effective retroactively. The effective date of these transactions will always be the accounting month in which they are sent to the Hines DPC, Manila regional office or Philadelphia VA center for processing.

e. When it has been determined that the deduction authorization is acceptable, the following actions will be taken:

(1) Complete the VA endorsement portion of the VA Form 29-888 and file the authorization in the insurance folder.

(2) Prepare VA Form 29-5926 as outlined in MP-6, part II, supplement No. 2.1, section 126.00. The payee number, card columns 10-11, and Insurance Office number, card columns 33-36, are preprinted. The completed VA Form 29-5926 is sent immediately to the [Analysis and Control] Section, Philadelphia DPC.

(3) Complete VA Form 29-5707, Acknowledgment-Request for Deductions From Benefit Payments, and release to the insured.

(4) Prepare VA Form 29-8526, Pending Transaction, to insert a nonfreeze 978 miscellaneous pending transaction diary, callup type 953, with a 75-day callup date. The following standardized diary messages will be used:

| <u>Deduction Transaction</u> | <u>Message and Code Number</u>                 |
|------------------------------|------------------------------------------------|
| Establishment                | 5926 5 4<br>(Requested Effective date Month #) |
| Increase                     | 5926 1 2<br>(Requested Effective date Month #) |

| Deduction Transaction | Message and Code Number                        |
|-----------------------|------------------------------------------------|
| Decrease              | 5926 2 3<br>(Requested Effective date Month #) |
| Discontinuance        | 5926 3 3<br>(Requested Effective date Month #) |

*NOTE: When the requested deduction transaction is received and processed, a 953 pending **diary** will be **automatically deleted** by the system.*

### **30.05 CHANGES IN DEDUCTION FROM BENEFIT PAYMENTS**

Action to establish, change or discontinue deduction will be initiated **by** the Philadelphia VA center, **without obtaining a** new authorization from the insured, under the following conditions:

- a. **Establishment Transactions.** Termination of premium waiver under 38 U.S.C. 712. Deductions will **be reestablished if** premiums were previously paid by deduction prior to the granting of the 38 U.S.C. 712 waiver. Request **a retroactive effective** date, if necessary to prevent lapse of the insurance.

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- b. Increase and decrease transactions
  - (1) Policy renewed, converted, reduced or changed.
  - (2) Current deduction amount for premium payment incorrect.
  - (3) Policy surrendered, paid-up or matured and one or more policies remain under premium-paying conditions by deduction.
  - (4) Termination of total disability income provision and basic insurance premium will continue to be paid by deduction or vice versa.
  - (5) Loan/lien paid in full and basic insurance premium will continue to be paid by deduction.
- c. Discontinuance transactions
  - (1) Single policy account surrendered for cash or paid-up insurance.
  - (2) Single policy account matures as an endowment.
  - (3) Premiums paid through end of premium-paying period for single policy account.
  - (4) Loan/lien paid in full and basic insurance premium deduction is not required.
  - (5) Continuous waiver of premiums granted under 38 U.S.C. 712.
  - (6) Disapproval of underwriting applications.
  - (7) Policy canceled because of a decision of forfeiture or fraud.
  - (8) Insured fails to comply with administrative adjustment requirements.

*NOTE: Under any of the above circumstances, a VA Form 29-5926 will be system-generated or clerically prepared and the insured will be advised of the action taken.*

### **30.06 CONTROL AND PROCESSING OF VA FORM 29-5926**

a. MI system-generated and clerically prepared VA Forms 29-5926 are retained in a Hold File, in double terminal digit claim number order, by the Philadelphia DPC pending their selection for release to the Hines DPC, Manila regional office or Philadelphia VA center during the accounting month which coincides with the requested effective date. A cutoff date schedule for the selection of VA Forms 29-5926 is prepared by the Philadelphia VA center.

b. All requests for deduction transactions, other than those for the Manila regional office and Philadelphia VA center, are transmitted to the Hines DPC via magnetic tape. [Only one transaction per insured may be requested in any given month. During the monthly card-to-tape operation, the system

detects and rejects multiple and invalid VA Forms 29-5926. A single numeric or alphabetic reason code is punched into card column 80 of the rejected workcards.] The codes are

| <b>Reject Code</b> | <b>Field Involved</b> |
|--------------------|-----------------------|
| 1                  | CLAIM NUMBER          |
| 2                  | [PAYEE] NUMBER        |
| 3                  | INSURANCE FILE PREFIX |
| 4                  | INSURANCE FILE NUMBER |

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| <b>Reject Code</b> | <b>Field Involved</b>                      |
|--------------------|--------------------------------------------|
| 5                  | REGIONAL OFFICE NUMBER                     |
| 6                  | INVALID ENTRY                              |
| 7                  | INSURANCE OFFICE NUMBER                    |
| 8                  | NAME CODE                                  |
| 9                  | ACTION CODE                                |
| A                  | REASON CODE                                |
| B                  | DEDUCTION OR NET CHANGE AMOUNT             |
| C                  | EFFECTIVE MONTH                            |
| D                  | EFFECTIVE YEAR                             |
| E                  | EFFECTIVE DATE                             |
| F                  | DUPLICATE INSURANCE [FILE] OR CLAIM NUMBER |

[(Deleted by change 6.)j

c. These rejected workcards are sent to the EAM Section via the Input/Output Section where they are used to select the original VA Forms 29-5926 from the main transaction file. [ 1 The [ j multiple and invalid [rejected workcards] are then listed separately (original and three copies) in double terminal digit claim number order. [They may then be disposed of in accordance with Records Control Schedule VB-1 .1

d. The Input/Output Section will send the control listings, together with the multiple and invalid VA Forms 29-5926, to the [ ] Policy Service Unit for corrective action. The control listings will be used by a designated Control Clerk to insure the return of the corrected and/or combined VA Forms 29-5926 from the Policy Service Clerks within 5 workdays.

e. The employee responsible for taking corrective action will request a record printout and the insurance folder if necessary, in order to determine the proper action. In all cases, a new VA Form 29-5926 will be prepared to correct and/or combine the rejected item(s). If the insured had previously been advised of the effective date of the deduction establishment, change, or discontinuance, a corrected status letter must be released. This is necessary since the corrected and/or combined transactions cannot be transmitted to the Hines DPC until the following accounting month. The new VA Form 29-5926 will be given to the designated Control Clerk. The rejected forms cannot be reused and will be disposed of in accordance with Records Control Schedule VB-1.

f. When all of the corrected forms have been received, the Control Clerk will return one copy of the control listing, together with the new forms, to the Input/Output Section. These forms will be keypunched and placed in the Hold File pending the next monthly transmittal to the Hines DPC.

g. To reduce the number of system rejects, an EAM sort and selection of multiple and invalid VA Forms 29-5926 will be made in advance of the card-to-tape operation. This EAM selection will be made in accordance with a schedule prepared by the Philadelphia VA center. The EAM rejects will be processed in accordance with the procedures in subparagraph e above. However, the control listing of the EAM rejects, together with the corrected forms, must be returned to the Input/Output Section by the date scheduled in order to be included in the current accounting month transmittal to the Hines DPC. Such actions will eliminate the need for corresponding with the insured.

h. VA Forms 29-5926, which are sent to the Manila regional office and the Philadelphia VA center for processing, are also edited for multiple forms and invalid data before they are released to the respective offices. VA Regional Office and Insurance Center  
 Philadelphia, PA

Circular 29-83-3  
 December 16, 1983

1984 DFB PROCESSING SCHEDULE

1. ORGANIZATIONAL ELEMENTS AFFECTED: Insurance Operations Div. - VAROIC  
 Operations Division - VARDPC  
 Analysis and Control Div. - VARDPC
2. REFERENCE: M29-1, Part II, Chapter 30, Paragraph 30.06
3. PURPOSE: To furnish 1984 cut-off dates covering the preparation and transmission of the monthly magnetic transaction tape to the Hines DPC and the transmittal of VA Forms 29-5926, "Request for DFB Action", to the Manila Regional Office and the Philadelphia VA Regional Office and Insurance Center.
4. PROCEDURE:
  - a. The monthly magnetic transaction tape and the VA Forms 29-5926 will be transmitted (Air Mail) on or before the twenty-ninth day of the calendar month preceding the accounting month during which the transactions are to be effected.
  - b. Completed VA Forms 29-5926 will be sent to the Input Unit, Philadelphia DPC, on a daily basis and in accordance with the following cut-off schedule:

|                                                 |                                             |                                     |                                     |     |
|-------------------------------------------------|---------------------------------------------|-------------------------------------|-------------------------------------|-----|
| ACCOUNTING<br><u>MONTH</u><br><u>OPERATIONS</u> | VAF 29-5926<br>TO KEYPUNCH<br><u>BY COB</u> | KEYPUNCH<br>AND<br><u>VERIFYING</u> | ADP GENERATED<br><u>VAF 29-5926</u> | DPC |
|-------------------------------------------------|---------------------------------------------|-------------------------------------|-------------------------------------|-----|

|       |      |          |          |          |          |
|-------|------|----------|----------|----------|----------|
| JAN.  | 1984 | 12-12-83 | 12-13-83 | 12-14-83 | 12-15-83 |
| FEB.  | 1984 | 01-16-84 | 01-17-84 | 01-18-84 | 01-19-84 |
| MAR.  | 1984 | 02-16    | 02-20    | 02-21    | 02-22    |
| APR.  | 1984 | 03-15    | 03-19    | 03-20    | 03-21    |
| MAY   | 1984 | 04-17    | 04-19    | 04-20    | 04-23    |
| JUNE  | 1984 | 05-18    | 05-22    | 05-23    | 05-24    |
| JULY  | 1984 | 06-15    | 06-19    | 06-20    | 06-21    |
| AUG.  | 1984 | 07-18    | 07-20    | 07-23    | 07-24    |
| SEPT. | 1984 | 08-17    | 08-21    | 08-22    | 08-23    |
| OCT.  | 1984 | 09-18    | 09-20    | 09-21    | 09-24    |
| NOV.  | 1984 | 10-18    | 10-22    | 10-23    | 10-24    |
| DEC.  | 1984 | 11-15    | 11-19    | 11-20    | 11-21    |

5. CONCURRENCE: The Director, Philadelphia Data Processing Center concurs.

6. RESCISSION: VAC Circular 29-82-7 is rescinded.

Director

DISTRIBUTION:

A-I  
D-I  
E- 1-2-3-5  
F-I-3-6-8-12-15-21-22-26-29-33  
R-2-5  
**5-1-2**  
**T-I**  
**April 27, 1972**

**M29-I, Part II**  
**Change 6**

**i. Monthly listings of all requested deduction transactions, in double terminal digit claim number order, which were forwarded to the Hines DPC, Manila regional office and the Philadelphia VA center, are printed by the Philadelphia DPC. These four-part listings are distributed to the following operating elements for reference purposes:**

|               |                                                |
|---------------|------------------------------------------------|
| Original      | Technical Staff Insurance Division             |
| Duplicate     | [ J Policy Service Unit, Insurance Division    |
| Triplicate    | [ ] Policy Service Unit Insurance Division     |
| Quadruplicate | Medical Determination Unit, Insurance Division |

**30.07 REPORTING OF DEDUCTION TRANSACTIONS**

a. Based on a monthly accounting period, all deduction transactions processed by the Hines DPC will be reported to the Philadelphia DPC on magnetic tape. MI deduction transactions, regardless of the type of action being reported, will be merged on one tape in double terminal digit claim number order (00 through 99). The deduction transactions will always be reported under the NSLI V fund (code 1) without regard to the number and/or actual fund(s) of the policies which the insured may have. Distribution of funds will be made, based upon the insurance policy prefix, when the transactions are actually applied to the insurance account.

b. The Hines DPC will send the deduction transaction tape, a summary record printout of the certified run totals and the monthly payment voucher, SF 1081, Voucher and Schedule of Withdrawals and Credits, to the Philadelphia VA center, Attn: Finance Officer, Finance and Data Processing Division. The shipment will be made in sufficient time to arrive on or before the first day of the month following the actual processing of the deduction transactions against the individual benefit award accounts.

c. Deduction transactions processed by the Manila regional office and the Philadelphia VA center are reported on individual VA Forms 29-887a, Notice of Action Taken on Deductions From Veterans Administration Benefit Payment. These forms, along with a VA Form 29-5700, Monthly Summary of Deductions From Benefit Payments for Insurance Purposes, and the monthly payment voucher, SF 1081, will also be received in the Philadelphia VA center on or before the first day of the month following the month in which the transaction was processed by the reporting office.

d. The Subsidiary Ledger Unit, Finance and Data Processing Division, Philadelphia VA center, maintains a control ledger for each of the reporting offices to record the increases and decreases in the running deduction balances. The total running deduction amount at the beginning of the month plus the total of the monthly amounts being reported as new establishments and resumptions, minus the total monthly amounts of the deductions being discontinued or suspended, will constitute the new closing balance. This new closing balance amount plus the total amount of initial payments, minus the total of the monthly amounts being reported as new establishments and resumptions, will constitute the total amount of funds to be transferred on SF 1081. The summary record printout of the certified run totals or the VA Form 29-5700, Monthly Summary of Deductions From Benefit Payments for Insurance Purposes, along with the corresponding payment voucher will be verified against these control ledgers. The appropriate reporting office will be immediately advised whenever the controlled balances do not agree and/or the transaction amounts do not crossfoot.

e. The Hines DPC deduction transaction tape, along with a completed summary information listing for run 160, will be carried to the Philadelphia DPC for processing in accordance with a schedule prepared by the Philadelphia VA center. The Philadelphia DPC will immediately TRAP the deduction transaction tape on five-part paper. The listings will be distributed as follows:

Original  
Technical Staff, Insurance  
Division Duplicate Subsidiary Ledger Unit, Finance and Data Processing Division

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**M29-I, Part II  
Change 6**

**April 27, 1972**

Triplicate [ 1 Policy Service Unit, Insurance Division Quadruplicate

[Policy Service Unit, Insurance Division] Quintuplicate Supervisor,

Miscellaneous Accounts and Service Unit, Insurance Division

f. These listings will be used by all operating personnel concerned when it becomes necessary to ascertain the current status of an insurance account which reflects a pending deduction establishment or change. The transaction could have been reported but not yet processed against the insurance master record. If the expected deduction transaction is of record, the pertinent deduction information will be noted on the record printout and appropriate action, including the refund of overdeductions, can be taken immediately. If the expected transaction is not of record, review the transmittal listing to determine if the required

transaction was released to the Hines DPC. If no evidence of this release is available, prepare another VA Form 29-5926 and advise the insured of the delay in processing the insurance deduction transaction. Update the 951 freeze and/or 953 miscellaneous diary by 75 days from the current date.

g. The VA Forms 29-887a received from the Manila regional office and the Philadelphia VA center are used as source documents to keypunch and verify VA Forms 29-5969, Allotment/DFB Output Card-ADP. After the VA Forms 29-5969 have been reviewed for accuracy by the Subsidiary Ledger Unit, they are sent to the EAM Section, Philadelphia DPC, where they are merged with the miscellaneous distribution transactions for the same reporting office and included on the miscellaneous transaction input tape into run 160. Prior to run 170, deduction transaction rejects are also included with the miscellaneous transactions for the respective reporting offices. Runs 160 and 170 for the Hines DPC, Manila regional office and the Philadelphia VA center are made each month regardless of the number or absence of miscellaneous and/or current deduction transactions. The processed VA Forms 29-887a are sent for filing in the insurance folder.

### **30.08 MECHANICAL PROCESSING OF DFB DEDUCTION TRANSACTIONS**

A

#### a. Deduction Control Record

(1) The deduction control tape contains a 135-character record for each insured who is paying premiums and/or loan/lien repayments by deduction from VA benefits. These records are maintained by reporting office in ascending double terminal digit claim number order (00 through 99).

(2) Program runs 160 and 170, which service the deduction control record, provide for the distribution of deduction moneys to the various funds, appropriations and general ledger accounts. Records are created and deleted automatically by deduction establishment and discontinuance input. Miscellaneous transaction input, VA Form 29-5923, Allotment/DFB Input Card to Run 160, prepared clerically can also create, delete and adjust the records on the control tape.

#### b. Establishments

(1) DFB establishment notices received from the reporting offices are processed in ADP runs 160 and 170 as follows:

(a) Run 160 edits the deduction transactions.

(b) Run 170 uses the establishment notices to place the deduction records on the deduction control tape and to create tape images which will become input to run 140 to update the master record. Run 170 also records the initial deduction amount as Total Unapplied and enters the number of months unapplied (1 if current deduction is involved; a larger number if the deduction establishment is retroactively established). When the initial deduction amount is recorded as Total Unapplied, the money is transferred from V-Undistributed Insurance Collections to V-Unapplied Collections-Cash Collections, and is retained there until distribution information is received.

### **30-8**

VA Regional Office and Insurance Center  
Philadelphia, PA

Circular 29-83-7  
December 27, 1983

1984 SCHEDULE FOR UPDATING DEDUCTION ACCOUNTS

1. ORGANIZATIONAL ELEMENTS AFFECTED: Insurance Operations Div. -  
 VAROIC  
 Finance Division - VAROIC  
 Operations Division - VARDPC  
 Analysis and Control Div. -  
 VARDPC

2. REFERENCE: M29-1, Part II, Chapter 30, Paragraph 30.08.

3. PURPOSE: To provide the 1984 schedule for updating deduction accounts and the 1984 schedule for processing VA Forms 29-5923, "Allotment/DFB Input Card".

4. PROCEDURE:

a. Attached is the 1984 schedule for updating deduction accounts. Every effort will be made by the Philadelphia Data Processing Center to adhere to the dates selected. In addition to equalizing the workflow, this schedule provides the most practical dates to be used within future call-up months when diaries are being inserted.

b. The publication on this updated schedule necessitates the revision of the schedule for processing VA Forms 29-5923. This revised schedule is also attached.

5. CONCURRENCE: The Director, Philadelphia Data Processing Center concurs.

6. RESCISSION: VAC Circular 29-82-10 is rescinded as of January 13, 1984.

Attachments

Director

DISTRIBUTION:

- A-1
- D-1
- E- 1-2-3-5
- F-1-3-6-8-12-15-21-22-26-29-33
- R-2-5
- S-1-2
- T-1

1984 SCHEDULE FOR PROCESSING VA FORMS 29-5923

|                          |                    |                     |                    |
|--------------------------|--------------------|---------------------|--------------------|
| VA FORMS 29-5923 TO      | DELIVER TO CONTROL | DELIVER TO KEYPUNCH | INSERT IN          |
| <u>BE PROCESSED WITH</u> | <u>UNIT BY COB</u> | <u>UNIT BY COB</u>  | <u>FILE BY COB</u> |
| <u>1984 REGISTER FOR</u> |                    |                     |                    |
|                          | A*                 | B**                 | A*                 |
|                          |                    |                     | B**                |

|                 |              |              |              |              |              |              |
|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>January</b>  | <b>01120</b> | <b>02103</b> | <b>01123</b> | <b>02106</b> | <b>01127</b> | <b>02110</b> |
| <b>February</b> | 02117        | 03102        | 02121        | 03105        | 02124        | 03109        |
| March           | 03123        | 04106        | 03126        | 04109        | 03130        | 04113        |
| April           | 04120        | 05104        | 04123        | 05107        | 04127        | 05111        |
| May             | 05/18        | 06108        | 05121        | 06111        | 05125        | 06115        |
| June            | 06122        | 07106        | 06125        | 07109        | 06129        | 07113        |
| July            | 07120        | 08103        | 07123        | 08106        | 07127        | 08/10        |
| August          | 08117        | 09107        | 08120        | 09/10        | 08124        | 09/14        |
| September       | 09121        | 10105        | 09124        | 10109        | 09128        | 10112        |
| October         | 10119        | 11102        | 10122        | 11105        | 10/26        | 11109        |
| November        | 11116        | 12107        | 11119        | 12110        | 11123        | 12/14        |
| December        | 12121        | 01104185     | 12124        | 01107185     | 12128        | 01/11/85     |

\* Column A includes DFB, Marine Corps, Coast Guard and Army

\*\*column B includes Navy, Air Force and Army Retired

**DEDUCTION ACCOUNTS - 1984 SCHEDULE**

| ACCOUNTING REGISTER MONTH - DEC  | JAN. | FEB. | MAR | APR | MAY  | JUNE | JULY | AUG. | SEPT. | OCT |
|----------------------------------|------|------|-----|-----|------|------|------|------|-------|-----|
| PROCESSING CALENDAR MONTH - JAN. | FEB  | MAR  | APR | MAY | JUNE | JULY | AUG  | SEPT | OCT   | NOV |
| SERVICE DEPARTMENT               |      |      |     |     |      |      |      |      |       |     |
| DFB - HINES                      | 5    | 2    | 8   | 5   | 3    | 7    | 5    | 2    | 6     | 4   |
| MARINE CORPS                     | 12   | 9    | 15  | 12  | 10   | 14   | 12   | 9    | 13    | 11  |
| COAST GUARD                      | 12   | 9    | 15  | 12  | 10   | 14   | 12   | 9    | 13    | 11  |
| ARMY                             | 12   | 9    | 15  | 12  | 10   | 14   | 12   | 9    | 13    | 11  |
| ARMY RETIRED                     | 19   | 16   | 22  | 19  | 17   | 21   | 19   | 16   | 20    | 18  |
| AIR FORCE                        | 19   | 16   | 22  | 19  | 17   | 21   | 19   | 16   | 20    | 18  |
| NAVY                             | 26   | 23   | 29  | 26  | 24   | 28   | 26   | 23   | 27    | 25  |
| <b>April 27,1972</b>             |      |      |     |     |      |      |      |      |       |     |

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(2) When the establishment tape images from run 170 are processed in run 140, the system either updates the master record or creates a pending transaction with a transaction type 120 or 129.

(a) When run 140 processes the establishment by updating the master record, it initiates a VA Form 29-5923a, DFB/Allotment Distribution Request ADP, with distribution information. This punched card is used as input in the next run 170 to effect distribution of the amount held on the deduction control record as Total Unapplied. It also sets the distribution pattern for subsequent monthly amounts.

(b) When run 140 creates a pending transaction because it cannot process the establishment, it generates a

VA Form 29-5886[b, Insurance] Record Printout (RPO), for clerical action. The **clerical** action includes preparation of VA Form 29-5923 to provide distribution information, only in **the** five categories described under clerical processing of pending DFB deduction transactions. In all other **cases**, the system will supply distribution information after the pending transaction ~s processed and the master record is updated.

(3) The distribution punched cards received from run 140 and the clerically prepared VA Forms 29-5923 are processed with the next month's register. At that time, run 170 will:

(a) Deduct one monthly amount at a time from the Total Unapplied field and distribute it in accordance with the distribution information received.

(b) Deduct 1 month from the No. Mos. Unapplied field, each time it distributes one monthly amount.

(c) If all or part of the distribution amount is for loan and/or lien, posting media will be generated for each month deducted from the No. Mos. Unapplied field. This posting media is processed in run 140 to update the loan/lien segment.

(d) When the month field is reduced to zero, but the amount field still has a balance, the system will transfer the remaining amount only when it is less than one monthly premium and there is only the V premium fund involved. Otherwise, it will generate a transaction type 114 punchcard distribution for clerical action.

(4) When the next month's register is processed and run 170 has not received a distribution card from run 140, a clerically prepared VA Form 29-5923 or a discontinuance notice, the system will:

(a) Add one monthly amount to the Total Unapplied field and transfer that amount from V-Undistributed Insurance Collections to V-Unapplied d Collections.

(b) Add 1 month to the No. Mos. Unapplied field.

(c) Generate a transaction type 114 punched card distribution request. This punched card will be inserted in the next 140 run.

(5) When the transaction type 114 punched cards from run 170 are processed in run 140, the system will take one of the following actions:

(a) If the establishment is still pending, it will disregard the distribution request, or

(b) If the pending establishment has been deleted and all edit requirements are met, it will generate distribution cards for input in the next 170 run, or

(c) If the establishment has been deleted but the system cannot generate distribution cards, it will generate a reject card (transaction type 114) and an RPO (reason code 114) for clerical processing.

c. Discountenances

(1) When a discontinuance notice is processed in run 170, the action by the system depends on whether or

not the Total Unapplied field contains zeros.

(a) If there are zeros in the Total Unapplied field on the deduction control record, run 170 will take the following action:

1. Delete the deduction record from the deduction control tape.
2. Generate a discontinuance tape image for use as input to run 140 to update the master record.
3. Reverse all premium and TDIP amounts if the discontinuance is retroactive. Where loan or lien is involved, it will printout on the 170 transaction list, the dollar amounts of the loan or lien portions to be reversed.

*NOTE: When the 170 transaction list is received in the Subsidiary Ledger Unit, that unit will send a memorandum to [ ] Policy Service Section, asking them to reverse the loan and/or lien payments.*

(b) If there is a balance remaining in the Total Unapplied field on the deduction control record, run 170 will take the following action:

1. Set No. Mos. Unapplied field to zero.
2. Deduct the retroactive amount from the amount held in the Total Unapplied field if the discontinuance is retroactive.
3. Generate a distribution request for the amount remaining in the Total Unapplied field, if any.
4. Generate a discontinuance punchcard for use as input to run 140 to update the master record.

S Sign deduction record, so that it will be deleted from the deduction control tape after the distribution information has been processed.

(2) When the discontinuance tape images from run 170 are processed in run 140, the master record will be updated or a pending transaction will be created with a transaction type **100** or 109. A pending discontinuance transaction will generate an RPO for clerical action. If distribution of deduction moneys has not been made, a transaction type 114 distribution request will also-be generated for clerical processing.

d. Single Deduction Transaction. If a resumption and discontinuance transaction for the same claim number are processed simultaneously by the Hines DPC, the full amount of the one-time payment will be reflected in the initial amount field and five zeros will be inserted in the recurring monthly amount field of the tape image. These transactions are printed out on the RTL run 160 error list which is forwarded to the Subsidiary Ledger Unit Finance and Data Processing Division. That unit will voucher the full payment amount from *V* undistributed to *V* premium and advise the [ ] Policy Service Section, by memorandum, of the action taken. A copy of the memorandum is retained as a control, pending completion of clerical action by the [ ] Policy Service Section, as outlined in paragraph 30.09 below.

### **30.09 CLERICAL PROCESSING OF PENDING DFB DEDUCTION TRANSACTIONS**

a. If the ADP system cannot process an establishment transaction mechanically, it creates a pending transaction type 120. If only a part of an establishment transaction is mechanically processed on a two-policy account, the remaining part is made a pending transaction type 129.

b. When clerically processing a pending establishment transaction, two determinations must be made:

- (1) Effective date of deduction

(a) When the initial deduction amount is an exact multiple of the monthly deduction amount, the ADP system will determine the deduction effective date or effective date how paid and show that month number

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the pending transaction. The number of months which the initial deduction covers will also be shown. When the initial deduction amount is not exactly divisible by the monthly deduction amount, a current effective date is shown in the pending transaction, regardless of the amount of the initial deduction. In the latter case, the effective date will always correspond to the accounting month in which the establishment transaction was received. The number of months the initial deduction covers will always be shown as 01.

(b) The effective date how paid entered on the master record must always be the same as the effective month number shown in the pending transaction. In addition, the transaction amount entered on the master record must always be the same as the monthly deduction amount shown in the pending establishment transaction. The effective date and transaction amount, when entered on the master record as outlined above, will be identical to the effective date and transaction amount which was mechanically inserted on the deduction control record by the system. Any deviation in the updating of the master record will create a reconciliation discrepancy.

(2) Premiums paid in advance, or month-to-month

(a) To determine if the account is paid in advance or on a month-to-month basis, the following computations will be required:

1. Use initial deduction amount intended for insurance premium if the number of months in the pending transaction is 01, or the monthly deduction amount intended for insurance premium of the number of months is more than 01. Add or subtract any credit/shortage. Apply total to determine a new updated next month due with remaining overage/shortage if any. Overages in excess of \$1 will be refunded immediately.

2. Subtract 1 month from the updated next month due to determine the premium month which premiums are paid through.

3. Subtract effective date how paid shown in the pending transaction from the date premiums are paid through. The difference is the number of months deductions are paid in advance.

(b) If the deductions pay premiums 1 month in advance, the next month due entered on the master record is the month following the effective date how paid. If the deduction pays the account month-to-month (current basis), the next month due entry will be the same as the effective date how paid.

(c) Deductions which would pay premiums more than 1 month in advance will be refunded immediately.

c. When processing transaction types 120 and 129, the following actions will be taken:

(1) Insert prepunched VA Form 29-5895a, Pending Transaction Input Card-ADP, transaction type 098, to delete the pending transaction. No control accounts are used.

(2) VA Form 29-8523, Premium/TDIP, transaction type 083, will be prepared to update premium segment. Use the last day of the month for effective day 'how paid'. No control accounts are used. If TDIP is included, use this OCR document with transaction type 087.

(3) VA Form 29-8530, Life/Miscellaneous, transaction type 040 or 050, will be prepared to insert or change deduction segment if necessary.

(4) If loan/lien repayment is involved, VA Form 29-8525, Dividend-Loan-Lien, transaction type 025 loan, or 026 lien, will be prepared to insert or change the monthly repayment amount and deduction type. The system will automatically post DFB loan/lien repayments in amounts exceeding \$199.99 provided the repayment amount of \$199.99 is inserted in the monthly repayment amount field of the loan segment.

(5) Prepare VA Form 29-5923a, DFB-Allotment Distribution Request-ADP, to distribute deduction moneys if one of the following conditions exists:

(a) Three-or-more-policy case.

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(b) Amount of monthly deduction does not equal total premium amount including any loan/lien repayment amount.

(c) Multiple loan/lien accounts on one or more policies.

(d) Deduction amount for repayment of loan/lien only.

(e) Total premium is more than \$999.99.

d. If the ADP system cannot process a discontinuance transaction mechanically, it creates a pending transaction type 100. If part of a discontinuance is processed on a two-policy case, the remaining part is made a pending transaction type 109.

e. When processing transaction types 100 and 109, the following actions will be taken:

(1) Insert prepunched VA Form 29-5895a, transaction type 098, to delete pending transaction.

(2) VA Form 29-8523, transaction type 083, will be prepared to update the premium segment and 087 if the TDIP segment is to be updated or 097 if the TDIP segment is to be deleted.

(3) VA Form 29-8530, transaction type 090, will be prepared to delete deduction segment, if necessary.

(4) If a loan/lien repayment is involved, VA Form 29-8525, transaction type 025 loan, or 026 lien, will be prepared to delete the monthly repayment amount and deduction type.

f. Upon receipt of a memorandum from the Subsidiary Ledger Unit, Finance and Data Processing Division, concerning a single deduction payment, the corresponding insurance folder and record printout will be obtained to determine the proper application of the one-time payment.

(1) If the payment is to be applied to pay premiums, prepare VA Form 29-8523, transaction type 083, to update the premium segment. Do not adjust control accounts if the deduction is being applied as V premium. If the deduction payment is being applied as premium in other than the V fund, debit account 34 (V) and credit 31 in the correct fund.

(2) If the deduction is for TDIP premium, loan/lien repayment, or a combination prepare:

(a) VA Form 29-5895a, transaction type 008, to insert the deduction payment as a pending transaction. Use pending transaction 211 and debit control account 32 (V); credit 15 or 16, dependent on whether or not a change of fund is involved.

(b) VA Form 29-5895a, transaction type 098, to delete pending transaction immediately; debit 17, using the applicable fund and credit MTC.

(c) VA Forms 29-8523 and/or 29-8525 to update applicable segment; debit MTC and credit the account involved.

(3) If the reason for the deduction payment cannot be determined, prepare VA Form 29-5895a, transaction type 008, to insert the deduction payment as a pending transaction. Use pending transaction type 211, debit 32 (V) and credit 15 or 16, dependent on the fund involved. In the correspondence to the insured, request disposition of deduction payment.

(4) MI inputs prepared to dispose of the one-time deduction payment will be forwarded to the Subsidiary Ledger Unit, Finance and Data Processing Division, along with a copy of their memorandum. After their controls have been cleared, the input will be inserted.

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g. Upon receipt of a memorandum from the Subsidiary Ledger Unit, Finance and Data Processing Division, requesting the reversal of loan/lien payments due to the processing of a retroactive discontinuance, an RPO will be obtained. VA Form 29-8525, transaction type 065 loan or 066 lien, will be prepared to increase the loan/lien balance. Accountability of the loan/lien reversal amount will be shown by debiting Cash Collections 02 loan or 06 lien and crediting Undistributed Insurance Collections (38).

h. Deductions which pay insurance premiums more than 1 month in advance or, for any reason, result in a credit to the account will be refunded directly to the insured by the Philadelphia VA center. However, deductions received subsequent to the date of death of an insured will be refunded to the reporting office by VA Form 24-706, Notice of Refund and Refund Work Sheet.

### 30.10 PROCESSING OF VA FORM 2-6560, NOTICE OF BENEFIT PAYMENT TRANSACTIONS

a. The Hines DPC will automatically discontinue, suspend and resume suspended insurance deductions as a result of the processing of future date actions initiated by stored information within the computer or by input transactions initiated by the regional offices. These insurance deduction transactions which originate in the Hines DPC, are merged with the insurance deduction transactions requested by the Philadelphia VA center and are reported on the same monthly insurance deduction transaction tape.

b. VA Forms 20-6560, reflecting these insurance deduction transactions generated by the Hines DPC, are sent to the Philadelphia VA center on a twice-daily basis in advance of the official insurance deduction transaction tape. Upon receipt of these forms, the Philadelphia VA center is responsible for preparing initial notices to the insured when the automatic action taken by the Hines DPC results in a discontinuance, suspension or resumption of the insurance deductions. Processing actions taken by the Hines DPC, which differ from the

insurance deduction transaction requested by the Philadelphia VA center, will also be reported on VA Forms 20-6560.

c. A complete explanation of the various codes which appear on the VA Forms 20-6560 is outlined in MP-6, part IV, supplements No. I.I and 6.1. An explanation of the significant items are listed below:

|                             |                                                                                                                                                                                                  |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| File Number                 | Claim number in straight C-number order.                                                                                                                                                         |
| Payee No                    | 00 indicating a veteran-payee.                                                                                                                                                                   |
| Person Entitled             | First initial, middle initial and first five letters of surname, in that order. If there is no middle initial and/or less than five letters in the surname, the respective spaces will be blank. |
| RO No                       | 03 indicating Philadelphia VA center.                                                                                                                                                            |
| Current Net Award           | Monetary amount of full monthly award.                                                                                                                                                           |
| Disc. Action Codes          | 4 Deduction discontinued. 5 Deduction suspended. 7 Deduction discontinued-death.                                                                                                                 |
| Est. Action Codes           | 1 Deduction established. 2 Deduction resumed.                                                                                                                                                    |
| Premium Amounts Discontinue | Monthly deduction amount discontinued or suspended.                                                                                                                                              |
| Premium Amounts Establish   | Monthly deduction amount established or resumed.                                                                                                                                                 |
| Premium Amounts Additional  | Additional monetary amount, if any, included in initial payment for establishment and resumption transactions.                                                                                   |
| Reference Numbers           | Nine-digit insurance file number prefaced with an alpha First digit is file prefix-last eight digits, file number.                                                                               |
| Deduction Amount            | Monthly deduction amount retained in the Hines DPC master record when insurance deductions are suspended.                                                                                        |

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**MESSAGE  
CODE**

**EXPLANATION**

- |     |                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 635 | INSURANCE DED (DISC/SUSP) EOM (MONTH) (AMOUNT). This message is generated when an insurance deduction is discontinued or suspended from any source other than direct input from the Insurance activity.                                                                                                                                                                                                          |
| 636 | EFFECT. DATE ( ) DED. REQ. CHANGE TO ( ). This message is generated when an establishment is requested effective more than 11 months retroactively or when a request for deduction increase creates an arrearage which cannot be collected in 6 months. The effective date will be automatically changed to a current date. The Philadelphia VA center will establish necessary liens to validate the deduction. |
| 637 | RETROACTIVE (DISC/DECR) CHANGED TO (MO/YR). This message is generated when a retroactive discontinuance or decrease is erroneously requested by the Philadelphia VA center. The effective date will be automatically changed to a current date. Philadelphia VA center will refund overdeductions, if any.                                                                                                       |

639                    **CHANGE OF ADDRESS NOTICE TO PHILADELPHIA.** Normally a card notice (in input format) is produced to notify the Philadelphia **VA** center when an address change is received by the Hines DPC for a master record which has an insurance deduction. This message is produced instead of the card when automatic input cannot **be** generated with certainty and visual inspection is required.

,~ 643                    **INSURANCE CHANGE REJECTED-EXCEEDS CURRENT BENEFIT.** This message is generated when a deduction increase is requested and the current deduction is being paid under special law 04.

647                    **INSURANCE DEDUCTIONS RESUMED EFFECTIVE (MO/YR).** This message is generated when an insurance deduction is reestablished in the same amount that was deducted prior to suspension. (MSG CODE 635)

Routing Insurance.

Remarks                    Code number for regional office having jurisdiction of claims folder.

d.    **VA** Forms 20-6560 reflecting message code 639-Change of Address Notice to Philadelphia, will be immediately sent to the Input/Output Unit, Philadelphia DPC, for editing and preparation of address change input. *VA* Forms 20-6560 which reflect Disc. Action Code 7-Deduction Discontinued-Death will be immediately sent to the Records Section, Administrative Division, for filing in the XC insurance folder. If the insurance folder does not reflect an XC notation, the *VA* Form 20-6560 will be sent **to** the Analyzer Transfer Group as an initial notice of death. All other *VA* Forms 206560 will be coded S(F (status/folder) in the upper right corner by the Receipt and Dispatch Unit personnel and sent to the Policy Service Section with an RPO and the insurance folder attached.

e.    The Policy Service Clerk will process the **VA** Forms 20-6560 as follows:

(1) MSG. Code 635[ ]

[(a) Disc. Action Code 4-A **VA** Form 29-366, Notice of Action Taken on Insurance Deduction from Benefit Payments, or a dictated letter will be prepared advising the insured the deduction from benefit payments has been discontinued and he should resume direct payment of his insurance premiums.

### 30-14

M29-1, **Part II**  
Advance Manual Change No. 4-88

April 25, 1988

#### Chapter 30 - Deduction From Benefit Payment Accounts

- A.    Change:            M29-1, **Part II, Chapter 30.** This change is issued to provide additional procedures for **MSG** Code 635. These procedures will be followed when deduction from benefit payments **are** temporarily discontinued under action code 4.            A *VA* Form 20-6560, Notice Of Benefit Payment Transactions, will be received with a current net award

amount of zero. The future net award amount and the effective **date that** benefit payments will be reestablished will be shown in the remarks section of the VA Form 20-6560.

B. Procedures: Page 30-14, add the following subparagraph to **paragraph 30.10e (l) (a)**:

If the current net award amount is zero, and **a** future net **award** amount and the effective date **that** benefit payments will be reestablished **are** shown in the remarks section **take** the following action:

A

A dictated letter will be **prepared** advising the insured **that** the deduction from benefit payments has been temporarily discontinued and will be reestablished. The insured should be informed of the premium(s) that must be paid by direct payment and of the future establishment

**date that** premiums will be paid by deduction from benefit payments. Premium notices should be provided through the month of establishment, so **that** premiums can be paid on **a** month in advance basis when the deduction is reestablished.

If the benefit payments will be reestablished within six months from the current processing date, a DFB Processing Screen will be immediately built to reestablish the deduction from benefit payments. If benefit payments will be reestablished more **than** six months from the current date, **a** frozen 978/970 diary will be inserted. The diary message will read "REESTABLISH DFB". When the diary call-up date is reached, (the diary call-up date should be six months before the date benefit payments will be reestablished) **a** DFB Processing Screen should be built to reestablish the deduction and the <sup>1</sup>"REESTABLISH DFB" diary should be deleted.

C. New or Revised  
Insurance Forms: None

2.

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Advance Manual Change No. 4-88

April 25, 1988

K00NS  
Assistant Director for Insurance

Distribution

|             |     |
|-------------|-----|
| 335/29      | 92  |
| 310/290     | 51  |
| 310/291     | 1   |
| 310/292     | 142 |
| 310/295     | 67  |
| 310/Library | 1   |
| C0/3IID     | 2   |

Total

356

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(b) Susp. Action Code 5-[VA Forms 20-6560 reflecting Action code 5 will be stamped Ready For File and forwarded for filing in the Insurance folder. When the discontinuance is received, the system will generate a frozen pending diary transaction type 978 with a 130 day callup. The message will read 953DFB *Suspend*] When the callup date of the 953 diary has been reached because the deduction has not been resumed, the Policy Service Clerk will release a teletype to the regional office of jurisdiction. For the purpose of uniformity, the following format for the release of the teletype will be used:

The insured's name, insurance file number, social security and claim numbers.

INS DED SUSP (DATE). PLS ADVISE REASON SUSP AND WHEN DED WILL BE RESUMED.

Upon receipt of the reply from the regional office stating that the compensation is still suspended, the Policy Service Clerk will advance the 953 diary date to 90 days from the current date. At the end of the 90-day diary period, the clerk will contact the regional office by teletype as provided above. If the teletype reply indicates that the deduction will not be resumed, a noninterest-bearing lien will be established for all premiums due through the current month. The insured will be notified of the lien and that he must resume payment of premiums direct.

*NOTE: Whenever the jurisdiction of the paying office is transferred to or from the Manila regional office, the receiving office will initiate action to automatically resume insurance deductions. In such cases, the advance suspension notice will clearly reflect the transfer of the office of jurisdiction.*

(2) MSG. Codes 636 and 637-The status of the insurance account and the insurance deduction will govern the adjustment or processing action to be taken. In some cases, the establishment of liens will be required to collect missing insurance premiums when a requested retroactive increase or establishment was made effective as of a current date. Use regular adjustment and/or operating procedures when processing these cases. When, by reason of delay or an act of omission or commission by the VA, we have jeopardized the insurance protection, a brief will be prepared for an administrative adjustment. Note the action taken on VA Form 20-6560 and file the form in the insurance folder.

(3) MSG. Code 639-Change of address notice to Philadelphia. Action will be taken to determine the competency status of the insured when the change of address reflects fiduciary, custodian or guardian.

(4) MSG. Code 643-Release a teletype to the regional office of jurisdiction requesting that the special law 04 deduction amount be increased to the required amount. Upon receipt of reply, a VA Form 29-5926 will be prepared.

(5) MSG. Code 647 Est. Action Code 2-Prepare VA Form 29-366. Determine the effective date of the resumed deduction based upon the initial payment amount shown on the VA Form 20-6560. If, based upon the next month due reflected on the RPO, the deductions will pay premiums more than 1 month in advance, downgrade the account, compute the credit and refund it immediately. Note the action taken on VA Form 20-6560 and file the form in the insurance folder.

### 30.11 PROCESSING OF VA FORM 20-8271, NOTICE OF EXCEPTION-CP&E INPUT TRANSACTION

a. The Hines DPC program logic reviews the input data fields of all insurance deduction transactions requested by the Philadelphia VA center to determine if they are valid and fall within the designated ranges. Errors which invalidate the requested deduction transactions are printed out on VA Forms 20-8271 which are forwarded to the Philadelphia VA center for corrective action.

b. VA Forms 20-8271 received in the Philadelphia VA center will be coded S/F (status/folder) in the upper right corner by the Receipt and Dispatch Unit personnel and sent to the Policy Service Section with the RPO and insurance folder attached. VA Forms 20-8271 which do not reflect the insurance file number when received, will be first sent to the Policy Service Unit for insurance file number identification before normal processing is resumed. The necessary insurance file number will be obtained from the monthly listing of requested deduction transactions which was furnished as outlined in paragraph 30.06.

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**MSG.CODE**

**EXPLANATION**

562E

CANNOT PROCESS - INSUFFICIENT SOURCE. A request to establish or increase deductions was rejected since there is insufficient net pay available to process request. If the rejected transaction was an establishment, advise insured that premiums must be paid direct. Delete 951 freeze and/or 953 miscellaneous diary. If the rejected transaction was an increase, the old deduction amount will be continued by the Hines DPC. On single-policy accounts, prepare VA Form 29-5926 to discontinue existing deduction. Update 951 freeze and/or 953 miscellaneous diary 75 days from the current date. Advise insured of status and request payment of future premiums by direct remittance. On multiple-policy accounts, prepare VA Form 29-5926 to reduce existing deductions to cover premium on remaining accounts. Update 951 freeze for the policy concerned 75 days from the current date. Advise insured of current status and request payment of future premiums on subject account by direct remittance. Note action taken on the VA Form 20-8271 and file the form in the insurance folder.

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DETAIL NAME DOES NOT MATCH MASTER. If name code is completely different, verify claim number and name with available insurance records. If a discrepancy is found, prepare corrected VA Form 29-5926. If claim number and name agree, verify with local and/or Central Office Index and prepare corrected VA Form 29-5926. If obvious misspelling of name code between records or space separating prefix from balance of last name is detected, prepare VA Form 29-5926 showing name code as it appears on Hines DPC master record. Update 951 freeze and/or 953 miscellaneous diary 75 days from the current date. Advise insured of the delay in processing the insurance deduction transaction. Note action taken on VA Form 20-8271 and file the form in the insurance folder.

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**September 13, 1976**

c. A complete explanation of the various codes which appear on the VA Form 20-8271 is outlined in MP-6, part IV, supplement No. 6.1. An explanation of the significant message codes and of the action to be taken by the Philadelphia VA center is outlined below:

| MSG.CODE | EXPLANATION                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 502      | INVALID FILE NUMBER. The requested insurance deduction transaction contained a claim number in excess of 30 million or one of the characters was nonnumeric. Verify the claim number and prepare corrected VA Form 29-5926. Advise insured of the delay in processing the insurance deduction transaction. Note action taken on VA Form 20-8271 and file the form in the insurance folder. Update 953 miscellaneous diary 75 days from the current date.                                                                                               |
| 545      | NO MASTER RECORD IN FILE. Verify claim number. If discrepancy exists, prepare corrected VA Form 29-5926. Advise insured of the delay in processing the insurance deduction transaction. If no claim number discrepancy exists, notify insured that the deduction cannot be established since the paying office has no record of benefit payments under the claim number submitted. Premiums must be paid direct. Delete the 951 freeze and/or 953 miscellaneous diary. Note action taken on VA Form 20-8271 and file the form in the insurance folder. |

*NOTE: If the deduction establishment was requested for RH Insurance and no claim number discrepancy exists, prepare another VA Form 29-5926. In addition, release a teletype to the regional office of jurisdiction requesting if and when an award master will be established at the Hines DIC'. If an award master will not be established, advise the insured that premiums must be paid by direct remittance.*

- 562B NO APPROPRIATE DEDUCTION-BALANCE SEG. A request to increase, decrease  
 — or discontinue deductions was rejected since the Hines DPC master record did not contain an insurance deduction segment. If the transaction request should have been an establishment, prepare corrected VA Form 29-5926. Advise the insured of the delay in processing the insurance deduction transaction. Update 951 freeze and/or 953 miscellaneous diary 95 days from the current date. Note action taken on the VA Form 20-8271 and file the form in the insurance folder. If the rejected transaction was a duplication of a prior request which was previously processed by the Hines DPC, no further action is required and the VA Form 20-8271 can be disposed of in accordance with Records Control Schedule VB-1, part I Delete 951 freeze and/or 953 miscellaneous diary If any.
- 562C NEW DEDUCTION AMOUNT EQUALS EXISTING DEDUCTIONS. A request to establish deductions was rejected since a deduction in the same amount was previously established. If the transaction request should have been an increase, decrease or discontinuance, prepare a corrected VA Form 29-5926. Update 951 freeze and/or 953 miscellaneous diary 75 days from the current date. Advise the insured of the delay in processing the insurance deduction transaction. Note action taken on VA Form 20-8271 and file form in the insurance folder. If the rejected transaction was a duplication of a prior request which was previously processed by the Hines DPC, no further action is required and the VA Form 2-8271 can be disposed of in accordance with Records Control Schedule VB-1, part I.
- 562D DEDUCTION IMPROPER-M/R SUSPENDED. Advise insured that deductions can not be established since the benefit payments are in suspended status. Premiums must be paid direct. When payment of benefit award is resumed, the insured can again authorize deductions. Delete 951 freeze and/or 953 miscellaneous diary. Note action taken on VA Form 20-8271 and file the form in the insurance folder.

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**MSG. CODE**

**EXPLANATION**

566

DETAIL CANNOT BE PROCESSED AGAINST M/R. The insurance deduction transaction request was rejected since the Manila regional office has jurisdiction of the benefit payment award. Prepare corrected VA Form 29-5926. Advise the insured of the delay in processing the insurance deduction transaction. Update 951 freeze and/or 953 miscellaneous diary 75 days from current date. Note action taken on the VA Form 20-8271 and file the form in the insurance folder.

**30.12 REQUESTING DFB DEDUCTION INFORMATION**

a. The status of DFB deductions which cannot be determined after a review of the insurance folder and the Hines DPC deduction transaction tape listings, as provided in paragraph 30.07 above, can be obtained from the run 730a listings of the deduction control records. These quarterly listings are maintained by the Subsidiary Ledger Unit, Finance and Data Processing Division.

b. A current RPO will be used to secure missing and/or confirm questionable deduction information from the Subsidiary Ledger Unit. The Deduction Policy Service Clerk will make the following entries, in red, on the RPO:

(1) In the upper right corner, in the reason code area, insert the routing instructions.

(a) Subsidiary Ledger Unit-(241B).

(b) Originating unit and symbol.

(2) Underline the reporting office code and claim number. Obtain this information from the insurance folder and insert it in the corresponding fields of the RPO if it is not already of record.

(3) In the upper portion of the pending transaction area of the RPO, insert the transaction type(s), effective date(s) and deduction amount(s) of the deduction transaction(s) which appear to be missing or must be confirmed. If the insured has more than one policy, staple all RPO's together and make the necessary entries on the top RPO. The originator will initial and insert the current date immediately below these entries before forwarding the forms to the Subsidiary Ledger Unit.

(4) The insurance folder will be retained **by** the originator. A control slip indicating that the forms were forwarded to the Subsidiary Ledger Unit for current deduction information will be attached. A callup date for followup action, not to exceed 3 workdays, will also be noted on the control slip.

c. The Subsidiary Ledger Unit will insert the current deduction information, as reflected on the latest run 730a deduction control listing and all subsequent accounting registers, if any, in the lower portion of the pending transaction area of the RPO. The processing day number on which the missing and/or corrective deduction transaction(s) was or will be inserted on the master record will also be shown. If the deduction transaction(s) was inserted under a different insurance file number, the incorrect number will also be noted adjacent to the confirming entries. After the entries have been initialed and currently dated, the RPO will be returned to the originating element indicated by the routing code in the reason code area.

d. When the RPO is returned, the originator will take the following action:

(1) If the missing and/or corrective deduction transaction(s) was previously inserted under the correct

insurance file number, obtain history back to the processing day number indicated and adjust the account.

(2) If the missing and/or corrective deduction transaction(s) will be inserted subsequent to the current date, delay adjustment action pending receipt of an RPO which will reflect the updating of the master record, or the insertion of the corresponding pending transaction(s).

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(c) Distribute the deduction amount by entering amount(s) and fund in card columns 47 through 73. All other necessary information for preparing distribution input is prepunched into the card.

(d) Use of VA Form 29-5923a is limited to distribution under transaction types 131 and 151 within the same **fund**. When distribution cannot be accomplished using VA Form 29-5923a, preparation of VA Form 29-5923 will be necessary.

(2) Code 115 in name code field of VA Form 29-5923a.

(a) Code 115 indicates the claim number, paying office or effective date fields in the deduction control

record do not agree with like information in the master record.

(b) Distribution of **the** deduction amount on VA Form 29-5923a will not be made. Insurance records will be reviewed to determine discrepancy field(s) and input prepared to correct the master record or deduction control record.

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(2) If **the** amount of arrearage **to be** collected is greater than the remaining amount of the monthly benefit payment, collection of **the arrearage** will be made over a period of months not to exceed 6. Insurance deductions will be reported **in an amount greater than** the requested monthly amount so that a portion of the arrearage is paid each month. When the arrearage is liquidated or the remaining amount is less than the monthly net award payment, the deduction will **be** discontinued and a new deduction amount will be established to conform with the original requested monthly amount. Any remaining arrearage will be included in the initial deduction amount of the new establishment. This action is automatically taken by the reporting office without notification from the Philadelphia VA center.

(3) When an insurance deduction is established in an amount greater than the monthly amount requested in order to liquidate **an** arrearage, the input transaction into run 140 will create a pending transaction (type 120). The establishment input is made pending because the recurring amount does not agree with the total insurance premium. These pending transactions will not be clerically processed or deleted until the discontinuance and new establishment also appear as pending items. This is necessary since it is not possible to show a true status of payment in the master record for this type of deduction transaction.

#### 30.14 CLERICAL PROCESSING OF REQUESTS FOR DISTRIBUTION-TRANSACTION TYPE 114

a. Requests for distribution-transaction type 114 from run 170, will be rejected in run 140 under the following conditions:

- (1) Three-or-more-policy case.
  - (2) Amount of monthly deduction does not equal the total premium amount, including loan/lien repayment amount.
- (3) Multiple loan or lien accounts on one or more policies.
- (4) **Total** premium is more than \$999.99.
- (5) Monthly deduction amount previously distributed but odd amount remains in **Total** Unapplied.
- (6) How paid code not 3 or 6 on life and/or TDIP.
- (7) Monthly repayment amount and/or deduction type incorrect or not shown in loan/lien segment.
  - (8) Claim number, reporting office and/or effective date fields on master record do not match like fields on distribution request.
  - (9) No deduction segment on master record.

b. The transaction type **114** reject card will be mechanically reproduced into VA Form 29-5923a, DFB Allotment Distribution Request-ADP. The Input/Output Unit will associate the VA Form 29-5923a with the RPO showing reason code **114** and forward the forms to the Policy Service Section.

c. The code 114 or 115 interpreted in the name code field will govern the clerical processing of VA Form 29-5923a as follows:

(1) Code **114** in name code field.

(a) **Review** RPO and other insurance records to determine proper distribution of deduction amount shown on **the** form.

(b) The 3 or 5 code in the Code for Distribution block, interpreted on the form, indicates distribution to be made under transaction type 131 or 151, respectively. Also, the 3 or 5 code indicates either the Monthly Deduction **Amount** or Total Unapplied Amount should be distributed.

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(3) If the RPO is returned as a No Record item, or confirms the deduction information previously recorded on the master record, VA Form 29-5926 will be prepared to establish, discontinue, increase or decrease the deduction as required.

(4) If the missing and/or corrective deduction transaction(s) was previously inserted under a different insurance file number, check for unassociated transaction(s) in the Miscellaneous Accounts and Service Unit. If the unassociated transaction(s) cannot be located, request an RPO under the incorrect insurance file number to determine if the missing and/or corrective deduction transaction(s) was associated with the wrong account. If so, adjust both accounts accordingly.

**30.13 REQUESTING RETROACTIVE DFB DEDUCTION EFFECTIVE DATES**

a. If the insurance may be jeopardized due to a processing delay or an act of omission or commission by the VA, deductions can be established retroactively. These retroactive effective date transactions will be processed **by** the reporting office provided:

(1) The retroactive effective date requested is within 11 months of the current processing date, and

(2) The arrearage (sum of premiums past due) can be deducted from benefit payments within a 6-month period.

b. If the deduction should be established retroactively, calculate the amount of arrearage to determine whether or not it can be collected within 6 months.

(l) Calculation of arrearage

(a) Month number in which first deduction will be made

614 (Feb. 1970)

Minus month number in which deduction should have been established

610 (Oct. 1969)

Equals number of premiums in arrears

4

(b) Monthly premium x number of premiums in arrears (\$10.20 x 4)

\$40.80

(c) Monthly compensation amount

\$23.00

Minus monthly premium amount

\$10.20

Equals monthly amount available to pay arrearage

\$12.80

(d) Monthly amount available for payment of arrearage (\$12.80x6)  
equals total arrearage which could be collected in 6 months

\$76.80

(2) Using results of calculation

(a) If the result of calculation in subparagraph (l)(d) above, is equal to or greater than the result of calculation in subparagraph (l)(b) above, request a retroactive effective date when preparing VA Form 29-5926.

(b) If the result of calculation in subparagraph (l)(d) above, is less than the result of the calculation in subparagraph (l)(b) above, request a current effective date when preparing VA Form 29-5926 and establish a lien on the insurance account for the full arrearage amount.

c. The collection and reporting of retroactive deduction establishments by the reporting offices fall into two general categories as follows:

(l) If the full amount of arrearage can be deducted from one monthly benefit payment, the requested monthly deduction is established with a current effective date and the full arrearage amount is included in the initial deduction.

### **30.15 PROCESSING CHANGE OF ADDRESS NOTICES RECEIVED FROM THE HINES DPC**

a. When a change of address is processed on a Hines DPC award master record which contains an insurance deduction segment, a punched card is generated and sent to the Philadelphia VA center for insertion of the new address into the insurance master record. These address changes are sent directly to the EAM (Electric Accounting Machine) Section, Philadelphia DPC, for the gang-punching of a batch number and insertion into the system.

b. Foreign address ZIP codes used by the Hines DPC are not compatible with the foreign address ZIP codes used by the Philadelphia VA center. These address changes are rejected by the computer system. Upon receipt of these rejects, the address will be reinserted with the correct foreign code as set forth in MP-6, part II, supplement

c. *VA* Forms 20-6560, MSG Code 639 for changes of address, will be received in place of punched cards on the following categories:

- (1) Five lines of address.
- (2) Fiduciary, custodian or guardianship cases.
- (3) Addresses where the insurance mail code cannot be determined.
- (4) Unremarried widows.

d. *VA* Forms 20-6560 reflecting a change of address are forwarded to the Input/Output Section, Philadelphia DPC for editing and preparation of address change input media. *VA* Forms 20-6560 which reflect a fiduciary, custodian, or guardian will be forwarded to the [Insurance Claims Section (297) for change of address and development of possible waiver of premium.] Addresses which reflect a bank address and/or bank [ ] number will not be inserted into the insurance master record. *VA* Forms 20-6560 which reflect [a bank address and/or bank number will be forwarded to the Chief, Insurance Operations Division for development] and disposal in accordance with Records Control Schedule VB-1, part I.

[e. When the records are maintained in one of the Pilot/Target Stations, address information should be obtained from the CRT (Cathode Ray Tube).

f. In priority situations, when the records are not in a Pilot/Target Station, a telegraphic message will be used to obtain the address.]

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**30.16 COLLECTION OF FINANCE INDEBTEDNESS**

a. The Hines DPC will establish an account receivable whenever a CP&E overpayment is detected. Deductions for insurance premiums will not be discontinued by the Hines DPC in order to liquidate an account receivable. However, a finance indebtedness charge may be established against the insurance account to assist in the liquidation of such an indebtedness.

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**b.** Finance indebtedness charges are reported on *VA* Forms 294878, Deduction Authorization Card-Finance, which are sent, along with control listings, to the Philadelphia *VA* center on a quarterly calendar basis by the individual regional offices. Upon receipt, these forms and the control listings are delivered to the Miscellaneous Accounts and Service Unit. Initially, these forms are used to reproduce *VA* Forms 29-5896a which inserts the Other Indebtedness bit in the master records. Thereafter, they are maintained **by** the Miscellaneous Accounts and Service Unit.

**c.** Cash dividends will not be automatically paid **by** the system when the insurance master record reflects an Other Indebtedness. Instead, the full amount of the dividend will be inserted as a pending disbursement transaction and an RPO, reason code 602, will be generated for clerical analysis by the Deduction Policy Service Section.

d. Upon receipt of an RPO, reason code 602, information regarding the indebtedness amount, claim number, regional office of origin and the proper appropriation code will be requested from the Miscellaneous Accounts and Service Unit. Upon receipt of the requested data, a VA Form 24-706 will be prepared to refund all or part of the dividend amount, as appropriate, to the regional office of origin. Dividend amounts in excess of the total indebtedness charge will be refunded to the insured. The insured will be advised as to the disposition of the dividend.

e. After the VA Forms 24-706 have been processed through the Finance and Data Processing Division, the Miscellaneous Accounts and Service Unit will post the dividend amount to the VA Forms 294878. The outstanding indebtedness charge will be reduced accordingly. When the indebtedness has been completely liquidated, a VA Form 29-5896a, Life Input Card, will be prepared to remove the Other Indebtedness bit from the master record. The closed out VA Form 29-4878 will be filed in the insurance folder.

### **[30.17 DFB OF \$200 OR MORE AS LOAN REPAYMENTS**

a. On single policy cases the computer system will automatically post DFB loan repayments in amounts exceeding \$199.99 if the amount \$199.99 is entered in the Monthly Repayment Amount block in the Loan Segment of the Master Record.

b. When an RPO, reason code 303, is received showing a pending transaction type 301, DFB LOAN REPAYMENT, in an amount exceeding \$199.99 and it is a single policy case, the following action will be taken.

(1) The RPO will be used as input to delete the pending transaction and to post the DFB payment to the loan.

(2) A VA Form 29-8525, Dividend loan lien, transaction type 025, will be prepared as input to enter \$199.99 in the Monthly Repayment Amount block in the loan segment of the master record.

(3) The computer system will post the next DFB payment automatically.

c. DFB loan repayments in amounts exceeding \$199.99 on multiple policy cases must be clerically processed.]

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**CHAPTER 31. SECTION 724 WAIVER ACCOUNTS**

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a. Public Law 23, 82d Congress, approved April 25, 1951, added section 622 to the National Service Life Insurance Act of 1940, as amended. This new section, now 38 U.S.C. 724, granted the following privilege to persons on continuous active military duty in excess of 30 days. Any person who was insured under National Service Life Insurance or United States Government Life Insurance was entitled, upon written application, to a waiver of premiums on 5-year level premium term insurance and that portion of any permanent plan insurance premium representing the cost of the pure insurance risk. These waivers have not been granted since December 31, 1956. However, if the insured has had continuous military service and a section 724 waiver was granted prior to January 1, 1957, he may retain the waiver on his insurance.

b. Periodically, on a project basis, VA FL 29-695 is released to each insured on 5 year level premium term accounts that have the waiver. He is told how his benefits and his insurance will be paid to his beneficiary should he die while the waiver is in effect and how they would be paid should the waiver be terminated. The letter encourages him to consult with his Personal Affairs Officer to determine if he should continue the inservice waiver.

**31.02 WAIVER PROVISIONS**

a. No premiums could have been waived under the provisions of section 724 which became due on or prior to June 1, 1951, or prior to the date of application if later than June 1, 1951. Subject to these provisions, the effective date of waiver had to have been the first premium due date on or after the date of the application for waiver, provided the insurance was in force at the time of application.

b. Once granted, the waiver remained in force on the policy throughout the insured's continuous active service and for 120 days after separation from active service, unless terminated at the insured's request.

c. If the 5-year term period expires while the waiver is in force, the term policy is automatically renewed for an additional 5-year period.

d. On a permanent plan policy, the waiver covers only that portion of the life insurance premium representing the cost of the PIR (pure insurance risk). Hence, insureds with permanent plan policies must continue paying the full amount of premiums due. The insured however, may request a refund annually of the cost of the PIR while the waiver is in force.

e. A TDIP (Total Disability Income Provision) could not be granted a section 724 waiver. This rule applied even though the insurance policy on which the TDIP is a rider was granted the waiver.

f. Dividends are not paid for months the insurance is in force under section 724 waiver.

**31.03 SERVICE REQUIREMENTS**

a. The following guidelines are applicable in determining continuity of section 724 waiver:

(1) If a serviceman was separated from active service and reentered active service on the same or following day excluding Sundays or legal holidays which intervene discharge and reenlistment, his service is deemed continuous.

(2) Between December 23, 1953, and December 31, 1956, both dates inclusive, if a serviceman reentered active service at any time within the 120 days following separation, the section 724 waiver continued in force.

(3) On and after January 1, 1957, if a serviceman reentered active service within the 120-day period following separation, but after a break in service of one or more calendar days, the waiver terminated upon

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expiration of the 120-day period following separation from the previous active service. This same rule applied before December 23, 1953.

*NOTE: If the policyholder reentered active service prior to December 23, 1953, and within 120 days following 4 date of separation, but with a break in service of one or more calendar days, the waiver will be considered continuous if the insured was erroneously informed by the VA on or after the date of his return to active duty that the waiver was in effect due to reentry within the 120-day period.*

b. If there is any question about the continuity of the section 724 waiver, a VA Form 29-150, Request for Service Information, will be released to the service department.

c. After December 31, 1956, persons in active service could no longer apply for and be granted a section 724 waiver of premiums on their National Service Life Insurance or United States Government Life Insurance.

**31.04 TERMINATION OF WAIVER**

a. A section 724 waiver of premiums may be terminated by:

(1) Establishment of allotment on a term policy.

(2) Discontinuance of allotment on a permanent plan policy because of separation from active service.

*NOTE: In such cases the waiver will be continuous for 120 days if premiums are paid.*

(3) Request for termination from the insured.

(4) Expiration of the premium-payment period on a limited payment life contract or at the end of an endowment period on endowment policies.

(5) Other evidence of separation from active service.

(6) A 724 waiver is suspended by a disability waiver (section 712).

(7) Submission of an application for conversion of term insurance

(a) In these instances, a letter will be released advising the applicant that we are assuming that the application and payment of premiums (direct pay or allotment) is a request for termination of the waiver.

(b) The letter will also advise him that dividends will be paid on the converted policy, if such policy is participating. He will be requested to notify us immediately if our action does not meet with his approval. If a dividend option has not been recorded, a VA Form 29-432, Disposition of Dividends, will be enclosed with the letter.

(c) VA Form 29-328a, Underwriting Input, or VA Form 29-8520, Underwriting, will be prepared to effect the conversion. This will cause the system to (1) discontinue the waiver on the new contract, (2) not allow any term reserve and (3) if no dividend option is selected, insert the option as dividend credit.

b. On all cases, the insurance folder will be examined to verify continuity of the section 724 waiver. If continuity cannot be determined, a VA Form 29-150 will be released to the service department.

c. Upon receipt of a VA Form 29-5886a, Record Print Out, for a term account with a how paid code 7 and an allotment establishment as a pending transaction, take action to:

(1) Update the premium segment of the master record and delete the allotment pending transaction. The next month due will be the premium month following the effective month of the allotment. VA Forms 29-5893a, Premium Input, and 29-5895a, Pending Transaction Input, will be used for this purpose.

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(2) Delete the section 724 waiver data from the master record; also insert dividend information to indicate the next dividend year due and months not due if the account is participating. VA Form 29-5892a, Policy Input, or VA Form 29-8522, Policy, will be used for this purpose.

(3) Advise the insured by dictated letter on the status of the account.

(4) If the allotment was not received in the correct amount, review the insurance folder and related records to determine if the allotment was intended for replacement, conversion, reduction, etc. If there is no evidence of a policy change, a letter will be written to the insured requesting clarification. A VA Form 29-1588, Request for

Allotment Deduction Change, will be sent to the service department and a 1588 (date) diary will be inserted if a change is necessary.

(5) Note the RPO as to action taken and file it in the insurance folder.

d. Upon receipt of an RPO for a permanent plan in force under section 724 waiver, with premiums paid by allotment and an allotment discontinuance is shown as a pending transaction, take action to:

(1) Update the premium segment of the master record and delete the allotment pending transaction. VA Forms 29-5893a and 29-5895a will be used for this purpose.

(2) Prepare a VA Form 29-5895a to insert a 724-609 diary which will indicate that a PIR refund is due. The callup date will be 120 days from the premium due date of the effective month of the allotment discontinuance.

(3) Release a VA Form 29-150 to the service department requesting serviceman's date of separation from active service.

(4) Advise the insured by dictated letter of the status of the account, and information on future PIR refund. Note the RPO as to the action taken and file it in the insurance folder.

(5) Prepare a VA Form 29-320, Request for Calculation, to obtain the amount of the PIR refund upon callup for PIR refund.

(6) Delete the section 724 waiver data from the master record. Also insert dividend information to indicate the next dividend year due and months not due if the account is participating. VA Form 29-5892a or 29-8522 will be used for this purpose.

(7) If premiums are not paid for the premium months within the 120-day period following separation, VA Form 29-5893a will be prepared to apply the entire amount of PIR credits at present value to update the master record. If the PIR credits will not pay premiums through the current month, use dividend credits, if available. If all available credits have been applied and the insurance is lapsed, follow prescribed lapse procedures.

(8) If premiums have been paid for all premium months within the 120-day period following separation, VA Form 29-5895a will be prepared to insert the pending disbursement (PIR and other credits).

e. Upon receipt of an RPO for a permanent plan in force under section 724 waiver, and an allotment discontinuance has been received and processed by the ADP system, take action as prescribed in subparagraphs d (2) through (8) above.

f. If a request is received from the insured to terminate the section 724 waiver on a term account, take action to:

(1) Update the premium segment of the master record. The next month due will be the premium month following the month in which the request was postmarked. VA Form 29-5893a or 29-8523, Premium Input, will be used for this purpose.

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(2) Delete the section 724 waiver data from the master record. Also, insert dividend information to indicate the next dividend year due and months not due if the account is participating. VA Form 29-5892a or 29-8522 will be used for this purpose.

(3) Advise the insured by dictated letter of the status of the account.

g. If a request is received from the insured to terminate the section 724 waiver for a permanent plan, take action to:

(1) Obtain computation of PIR refund by preparing and releasing VA Form 29-320. The computation will be from the effective date of the waiver or from the termination date of the last preceding PIR refund period, to the end of the premium month in which the request was postmarked.

(2) Delete the section 724 waiver data from the master record. Also, show dividend information to indicate the next dividend year due if the account is participating. VA Form 29-5892a or 29-8522 will be used for this purpose.

(3) Insert the pending disbursement (PIR and other credits) by preparing VA Form 29-5895a or 29-8526, pending Transaction.

(4) Advise the insured by dictated letter on the status of tee account.

h. At the expiration of the premium-payment period on a limited payment life contract or an endowment period on an endowment policy while the premiums are waived under section 724, process as follows:

(I) Prepare a VA Form 29-320 to obtain computation of PIR refund. The computation will be from the effective date of the waiver or from the termination date of the last preceding PIR refund period, to the expiration of the premium-paying period.

(2) VA Form 29-5892a or 29-8522 will be prepared to delete the section 724 waiver data. Also show dividend information to indicate the next dividend year due and months not due if the account is participating.

(3) VA Form 29-5895a or 29-8526 will be prepared to insert the pending disbursement (PIR and other credits).

(4) Prepare any other input that may be necessary to update the master record.

(5) Advise the insured on the action taken and status of the account.

i. If evidence of separation from active service is obtained from sources other than official channels and the insurance premiums are waived under section 724, take action to verify separation date and process as prescribed above according to the circumstances of the case.

### **[31.05 INDEBTEDNESS UPON MATURITY BY DEATH**

a. Public Law 92-197, enacted December 15, 1971, provides for an indebtedness to be established on any Government Life Insurance contract (USGLI and NSLI) maturing by death on or after January 1, 1972, whenever the premiums are being waived under 38 U.S.C. 724.

b. The indebtedness to be established will include an amount equal to the amount of premiums that were waived for any period on or after January 1, 1972, less the dividends that would have been payable on participating policies except for the fact that premiums were waived under section 724. The premium indebtedness applies to current as well as any predecessor accounts (term or permanent plan) on which premiums were waived on or after January 1, 1972. Any indebtedness established under this law will take the form of a premium lien. Interest will not be charged on the premium lien. For an account with an effective date other than the first of the month, an

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indebtedness will not be established for a death occurring during January 1972, if the death occurred during December 1971 premium month.

c. When input is inserted into the computer system to initiate processing of a death claim and the record indicates premiums are being waived under section 724, the system will provide a partially completed VA Form 29-368d, Report of Status for Settlement of Death Claims, suspend automatic processing of the claim and freeze the master record. Premium liens will be clerically calculated and entered in the master record. PIR (pure insurance risk) refunds effected for any period beginning with the January 1972 premium month, less potential dividends, will become a premium Lien. If the full premiums have been paid on a permanent plan contract and no PIR refund has been made for the premium month of January 1972 or later, the settlement will be made as though no section 724 waiver existed and will include dividends (for participating accounts) for the period involved. It will be necessary to continue to verify the continuity of section 724 waivers (and allotments, where applicable) with the appropriate service department. Liens will not be established unless a section 724 waiver is in effect for the premium month in which death occurred. In the adjudication of death claims, a section 724 waiver will be deemed to have been discontinued prior to the premium month in which death occurred providing the insured was eligible for a disability waiver under 38 U.S.C. 712 or 713. In these instances, no premium lien is to be established.

d. Premium liens established under the provisions of Public Law 92-197, unless paid prior to settlement, are deductible from the proceeds of the Insurance. In such case, the liability of the Government under Section 724(b) shall be reduced by the amount so deducted from the proceeds. Beneficiaries will be permitted to pay the established indebtedness before settlement in order to provide for larger installments whenever a settlement option is other than cash (lump sum).

e. The same control account applicable to all premium Liens is used.

f. Loan and cash surrender of accounts under a section 724 waiver as well as maturing endowments and USGLI accounts maturing because of total permanent disability are not affected by this law.]



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**CHAPTER 32. EMPLOYER PAYROLL ACCOUNTS**

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## CHAPTER 32. EMPLOYER PAYROLL ACCOUNTS

### 32.01 GENERAL

a. Commercial employers, certain U.S. Government agencies and the Philippine services may deduct an amount from an employee's or member's pay for insurance premium payments and/or loan/lien repayments, when authorized by the employee. The combined deductions of a participating organization or company are usually paid in a single remittance by the commercial employers and U.S. Government agencies. The Philippine services' payments are made to the agent cashier, VA Regional Office, Manila, and reported to the Philadelphia VA center on VA Form 14-1551, Transmittal Schedule of Insurance Collections.

b. The establishment of a new organization to the employer payroll deduction system is accomplished by the Insurance Division, Philadelphia VA center. An employer office number is assigned by the Collections and Cashier Section, Finance and Data Processing Division, which maintains a record of each number assigned and the related employer. MI accounts for insureds under the payroll deduction plan are maintained at the Philadelphia VA center.

c. Upon the establishment of a payroll deduction, the initial remittance should be sufficient to pay premiums 1 month in advance. If not, the insured should be advised of this fact, and that it is to his best interest to have ~ account paid in advance. He should be requested to tender a direct remittance of one monthly premium. Letters will not be released to employers requesting adjustment of premiums 1 month in advance. Employer payroll accounts may be paid more than on a 1-month-in-advance basis.

d. A master file of each employer payroll deduction account is maintained in the Reconciliation and Deposit Unit, Finance and Data Processing Division. This file consists of a VA Form 29-367a, Collections and Payroll Deduction Card, for each insured, and is used as input to computer run 132A. The input is processed by the computer in the same manner as not paid-as-billed direct payments.

e. VA Form 29-800, Notice of Action Taken on Payroll Deduction for Government Life Insurance, is used by employers to report establishments, discontinuances, or changes. If a change is involved, two VA Forms 29-800 should be received: one for the discontinuance of the present amount, and one for the establishment of the new amount. A folder is established for each employer payroll deduction account in which VA Form ~4-800a, ~ Monthly Summary of Payroll Deductions for Government Life Insurance, and a current list of the master file, are maintained. If there is no change from the previous month in the amount of the remittance or the insureds to whom credit is given, the list in file is noted with the current PDN (processing day number) and the postmark date. The PDN is also stamped on the VA Form i4.80

f. Discrepancies which may affect an insured's account must be resolved before the master file for each employer is introduced into the computer. The employer may be contacted to resolve discrepancies by letter or telephone, depending upon the urgency of the situation and location of the employer.

g. The master file for each employer is listed annually in alphabetical order after the July payment is processed. These lists are mailed to the employers for verification, with an appropriate cover letter.

h. The Collections Section is responsible for notifying the Insurance Officer of unusual delays in receipt of deductions from employers, based on the normal pattern of receipt dates, so that appropriate action can be taken to determine the reason for delay.

i. Employers who do not submit payroll deductions as requested by the VA, or those who desire to submit payments on other-than-a-monthly basis (even as a minimum), will not be included in the payroll deduction plan. These items will be processed as regular Open Mail by the Collections Section.

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### **32.02 CLERICAL PROCESSING**

a. VA Forms 29-800 and/or VA Forms 29-5886\$, Record Print Out (RPO), received from the Reconciliation and Deposit Unit, will be processed as follows:

(1) Establishments. VA Form 29-8530, Life Miscellaneous, transaction type 040, will be prepared to establish the deduction segment. If the amount is to pay insurance and/or total disability income provision premiums, VA Form 29-8523, Premium/TDIP, transaction type 083 and/or 087, will be prepared to change the how paid code(s) to the payroll deduction code (8). If the amount is to repay a loan or lien, VA Form 29-8525, Dividend-Loan-Lien, transaction type 025 or 026, will be prepared to insert the monthly repayment amount in the loan or lien segment.

(2) Discontinuances. VA Form 29-8530, transaction type 090, will be prepared to delete the deduction segment. VA Form 29-8525, transaction type 025 or 026, will be prepared to delete the repayment amount in the loan or lien segment.

(3) Changes. The account will be reviewed to determine what change is required.

(4) Transfers between employer offices. An RPO will be received from the Collections Section with the new office noted thereon. VA Form 29-8530, transaction type 050, will be prepared to change the office number in the master record.

(5) It will be determined if any other adjustments or changes are required. If so, the insured will be advised and a diary inserted for followup action. VA Forms 29-800 will be stamped Ready for File, signed, dated and sent for filing in the insurance folder.

b. Procedures for clerically processing employer payroll deduction accounts are essentially the same as those for direct pay accounts, with the following two exceptions:

(1) The system will not automatically release lapse notices or letters. If a lapse callup is reached, an RPO reason code RPO 980, will be generated. The master record will be automatically frozen.

(2) VA Form 29-5885, Information About Your Insurance, is not released when the overage or shortage field in the master record is affected. An RPO reason code RPO 980 is generated when a premium payment is applied that is not equal to the total premium in the master record.

c. Upon receipt of an RPO reason code RPO 980 and the account is not frozen, the required adjustment action will be determined and the insured advised accordingly. If the amount of the deduction is less than the monthly premium, the insured will be advised of the shortage and the month in which the deduction should be adjusted. The month should be based on allowing the insured sufficient time (approximately 60 days) to contact the employer and make the change. The amount necessary to pay premiums on a month-in-advance basis will be completed, taking into consideration overages or shortages which will exist through the month in which the insured was notified to make the change. The insured will be requested to pay this amount by direct remittance or if dividend credits exist, authority will be requested to deduct the amount needed from the dividend credit balance. Care must be exercised in this type case to determine if the account is in danger of lapse and whether reinstatement requirements will have to be met; i.e., shortage has reached the point where another deduction with a shortage will exceed the shortage limitations. If so, the insured will be advised as to the potential lapse date and requested to submit a direct remittance prior to that date to prevent lapse.

d. Upon receipt of an RPO reason code RPO 980 and the account is frozen because of the lapse callup, the status of the account will be determined as to whether reinstatement requirements must be met. In many instances, deductions on this type case are received postmarked within IS days after the end of the grace period and are subsequently applied to continue the insurance in force, but are not entered into the system timely enough to prevent the lapse callup. Verification should be made with the Reconciliation and Deposit Unit as to whether deductions are available which can be applied to prevent lapse prior to release of a lapse notice to the insured. The insured will be advised of the reinstatement or adjustment action, as appropriate.

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**May 10,1971**

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e. If deductions are not being deposited properly; i.e., deposited as premium but should be applied to loan, the Collections Section will be notified by VA Form 3230 so that flu control file of VA Forms 29-367a can be corrected.

### **32.03 ADJUSTMENTS**

Administrative acceptance of late remittances as timely may be made by the Insurance Officer where, in his ~f

judgment, the circumstances warrant such acceptance. These situations are:

a. the entire payroll deduction submission is delayed. Deposit may be made as of the last day of the calendar month in which due, or

b. Out-of-balance conditions which necessitate return to the employer for correction. Deposit will be made as of the original postmark date, or

c. On individual cases -when through error on the part of the reporting office a deduction is not reported and a statement to that effect is received from the employer. Deposit will be made as of the last day of the calendar month in which due.



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## CHAPTER 33. AUTOMATIC SURRENDER

### 33.01 GENERAL

a. Permanent plan policies provide that loans may be granted on the security of a policy at any time after the end of the first policy year. Loans may also be granted on the security of paid-up additions attached to permanent or term contracts. Loans against the security of the paid-up additions require no waiting period. However, if at any time the loan indebtedness equals or exceeds the policy reserve (or the combined reserve, if paid-up additions are involved), plus any dividend deposit accumulation, the policy shall cease and become void. This arises when the loan principal balance plus interest increases faster than the policy and/or paid-up additions reserve plus dividend deposit accumulations.

b. Limited payment life policies on which all premiums have been paid and earned, Modified Life, Ordinary Life, Reduced Paid-up Life policies and any policy with paid-up additions are the only ones on which the loan indebtedness can equal or exceed the reserve.

c. Dividend credit balance will not be taken into consideration to determine when the loan indebtedness will equal or exceed the reserve.

d. Lien indebtedness will not be taken into consideration to determine when the loan indebtedness will equal or exceed the reserve.

e. The automatic surrender procedure will be effected even though returned mail is indicated on the master record.

### 33.02 PROCESSING NOTICES TO THE INSURED (AUTOMATIC SURRENDER DATE CALCULATED BY THE COMPUTER SYSTEM)

a. The computer system is programed to automatically calculate or recalculate the exact critical date when the loan indebtedness will equal or exceed the cash value of the basic contract and/or the paid-up additions or the combined cash value of both in the following instances:

(1) When a loan is capitalized for interest billing.

(2) When a miscellaneous input, transaction type OX5, is processed.

(3) When the system applies transaction type 3XX to a loan and the master record contains action type 3 or 4.

(4) When a dividend is authorized LOLI (loan/lien) or the paid-up option, and the master record contains action type 3 or 4.

b. The computer system will also release a VA Form 29-8348, Information About Your Insurance, with the appropriate paragraphs when the loan indebtedness will equal or exceed the reserve within 15 months and will purge the basic policy and/or paid-up additions 30 days after the critical date if no payment is made to reduce the indebtedness. The system-generated VA Forms 29-8348 are released in the following sequence:

(1) The initial notice is released when the policy and/or paid-up additions are determined to be critical within 15 months.

(2) The followup notice is released 3 months before the critical date.

c. The system will not release a VA Form 29-8348 when any of the following conditions exist:

(1) The insured is incompetent.

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*Is*

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(2) There is a pending transaction on the 2XX or 3XX series.

(3) There is a monthly repayment amount in the loan segment.

(4) A loan was granted or a payment was Processed and the policy is critical as of current or past due date.

(5) There are paid-up additions on a term, extended insurance, or a lapsed contract and the account is critical.

(6) be policy is critical; there is no other policy in force with paid-up additions.

(7) The How Paid Code is S.

*NOTE: The above conditions will cause the System to generate an RPO (record printout) for one of the following reason codes: 352, 353, 357, 358, and/or 376.*

**33.03 PROCESSING NOTICES TO THE INSURED (AUTOMATIC SURRENDER DATE CALCULATED CLERICALLY)**

a. The system cannot compute the exact critical date when one or more of the following conditions exist:

(1) The master record has a dividend deposit segment.

(2) A loan was established on a lapsed account and there are no paid-up additions.

(3) There are multiple loans with different effective dates.

(4) An endowment contract matures within 15 months after the loan capitalization date.

The above conditions will cause the system to generate an RPO with one of the following reason codes: 319, 350 or 351.

b. When the computer system is unable to calculate the exact critical date or release a VA Form 29-8348, an RPO will be generated for clerical action by the Policy Service Technician.

c. When the computer system does not calculate the exact critical data, the insurance folder will be reviewed for possible prior calculations based on the same loan balance. If a prior calculation is not of record, the RPO will be sent to the Miscellaneous Accounts and Service Unit for a calculation of the exact date the loan indebtedness will equal or exceed the cash value. The cash value is the policy reserve plus the reserve of any paid-up additions and/or the dividend deposit balance, if any.

*NOTE: If the policy will mature within 15 months after the loan capitalization date, the Policy Service Technician will calculate the loan balance as of the maturity date. If loan plus interest as of the maturity date is less than the face amount of insurance plus paid-up additions and/or dividend deposit, the contract is not critical.*

d. When the critical date is furnished by computers or if the computer system calculated the exact critical date but did not release a VA Form 29-8348 to the insured, the Policy Service Technician will release the proper notification using AT (automatic typewriter) or a dictated letter.

e. Proper notice is considered to have been given if at least one notice has been released but not less than 90 days before the automatic surrender date.

f. When it is determined that a proper notice has not been given and/or there are less than 90 days before the automatic surrender date or the surrender date has passed, the insured will be allowed 90 days from the date of the letter to reduce the indebtedness and keep the insurance in force. This letter will be the final notice and will be noted accordingly. If the 90 day period extends past the date the policy would be surrendered and purged from the record, a 90 day freeze diary will be inserted to prevent the purge.

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Total Amount of

Suggested Monthly

| <u>Indebtedness</u>    | <u>Payment Amount</u> |
|------------------------|-----------------------|
| Up to \$1,200          | \$6                   |
| \$1,200.01 to \$ 1,800 | \$ 8                  |
| \$1,800.01 to \$ 2,200 | \$10                  |
| \$2,200.01 to \$ 2,600 | \$12                  |
| \$2,600.01 to \$ 3,000 | \$14                  |
| \$3,000.01 to \$ 3,400 | \$16                  |
| \$3,400.01 to \$ 3,800 | \$18                  |
| \$3,800.01 to \$ 4,200 | \$20                  |
| \$4,200.01 to \$ 4,600 | \$22                  |
| \$4,600.01 to \$ 5,000 | \$24                  |
| \$5,000.01 to \$ 5,400 | \$26                  |
| \$5,400.01 to \$ 5,800 | \$28                  |
| \$5,800.01 to \$ 6,200 | \$30                  |
| \$6,200.01 to \$ 6,600 | \$32                  |
| \$6,600.01 to \$ 7,000 | \$34                  |
| \$7,000.01 to \$ 7,400 | \$36                  |
| \$7,400.01 to \$ 7,800 | \$38                  |
| \$7,800.01 to \$ 8,200 | \$40                  |
| \$8,200.01 to \$ 8,600 | \$42                  |
| \$8,600.01 to \$ 9,000 | \$44                  |
| \$9,000.01 to \$ 9,400 | \$46                  |
| \$9,400.01 to \$ 9,800 | \$48                  |
| \$9,800.01 to \$10,200 | \$50                  |

This payment schedule assumes that you also pay the annual loan interest, when due, to prevent cancellation of your policy. We will bill you for the interest shortly before the loan anniversary date.

Chapter 33 - Automatic Surrender  
 Paragraph 33.03 - Processing Notices To The Insured  
 (Automatic Surrender Date Calculated Clerically)

- A. Change: M29-1, Part fl, Chapter 33, Paragraph 33.03.
- B. Purpose: To reflect a new, expanded table and paragraph advising the insured to pay annual interest when due.
- C. Procedure: Page 33-3, delete section "h" and substitute the following:

h. When requesting repayments to reduce the loan balance, the amount requested will be determined by the schedule below, and the subsequent paragraph will be used to inform the insured of the annual loan interest due.

| <u>Total Amount of<br/>Indebtedness</u> | <u>Suggested Monthly<br/>Payment Amount</u> |
|-----------------------------------------|---------------------------------------------|
| Up to \$1,200                           | \$6                                         |
| \$1,200.01 to \$ 1,800                  | \$ 8                                        |
| \$1,800.01 to \$ 2,200                  | \$10                                        |
| \$2,200.01 to \$ 2,600                  | \$12                                        |
| \$2,600.01 to \$ 3,000                  | \$14                                        |
| \$3,000.01 to \$ 3,400                  | \$16                                        |
| \$3,400.01 to \$ 3,800                  | \$18                                        |
| \$3,800.01 to \$ 4,200                  | \$20                                        |
| \$4,200.01 to \$ 4,600                  | \$22                                        |
| \$4,600.01 to \$ 5,000                  | \$24                                        |
| \$5,000.01 to \$ 5,400                  | \$26                                        |
| \$5,400.01 to \$ 5,800                  | \$28                                        |
| \$5,800.01 to \$ 6,200                  | \$30                                        |
| \$6,200.01 to \$ 6,600                  | \$32                                        |
| \$6,600.01 to \$ 7,000                  | \$34                                        |
| \$7,000.01 to \$ 7,400                  | \$36                                        |
| \$7,400.01 to \$ 7,800                  | \$38                                        |
| \$7,800.01 to \$ 8,200                  | \$40                                        |
| \$8,200.01 to \$ 8,600                  | \$42                                        |
| \$8,600.01 to \$ 9,000                  | \$44                                        |
| \$9,000.01 to \$ 9,400                  | \$46                                        |
| \$9,400.01 to \$ 9,800                  | \$48                                        |
| \$9,800.01 to \$10,200                  | \$50                                        |

This payment schedule assumes that you also pay the annual loan interest, when due, to prevent cancellation of your policy. We will bill you for the interest shortly before the loan anniversary date.

- 2.
- D. New or Revised  
Insurance Forms: None

ROBERT W. CAREY

Assistant Director for In DISTRIBUTION:  
335/29                    120  
310/291                  245  
310/290                  45  
244C                      10  
Library                    1

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g. If the insured makes payment after the surrender date but within the 90-day period, a dictated letter will be prepared informing the insured that he or she has 31 days from the date of the letter or until the end of the 90-day period, whichever is later, to make another payment sufficient to keep the policy in force.

h. When requesting repayments to reduce the loan balance, the amount requested will be determined as follows:

| <b>Total Amount of<br/>Indebtedness</b> |            | <b>Suggested Monthly<br/>Payment Amount</b> |
|-----------------------------------------|------------|---------------------------------------------|
| \$1,800.01                              | to \$2,200 |                                             |
| \$2,200.01                              | to \$2,600 | \$12                                        |
| \$2,600.01                              | to \$3,000 | \$14                                        |
| \$3,000.01                              | to \$3,400 | \$16                                        |
| \$3,400.01                              | to \$3,800 | \$18                                        |
| \$3,800.01                              | to \$4,200 | \$20                                        |
| \$4,200.01                              | to \$4,600 | \$22                                        |
| \$4,600.01                              | to \$5,000 | \$24                                        |
| \$5,000.01                              | to \$5,400 | \$26                                        |
| \$5,400.01                              | to \$5,800 | \$28                                        |
| \$5,800.01                              | to \$6,200 |                                             |

### **33.04 DIVIDEND PROCESSING**

a. The computer system will not authorize a dividend when the following conditions exist:

- (1) The master record indicates action type 3 or 4;
- (2) The dividend option is other than LOLI or paid-up additions; and
- (3) The dividend year is a current date with a current callup date.

b. When the conditions outlined in subparagraph a are present and a dividend is due (if premiums are being paid on the policy), the computer system will generate an RPO, reason code 694, for clerical action. (The record is automatically frozen.) The Policy Service Technician will determine if the dividend payment is in order, and if so:

(1) A letter will be released informing the insured that the dividend is due and request permission to apply the dividend to reduce the policy loan and to change the dividend option to LOLI.

(2) VA Form 29-5895a, Pending Transaction Input Card, or VA Form 29-8526, Pending Transaction, transaction type 008, will be prepared as input to *insert a 45-day diary pending a reply*.

(3) If the insured does not reply by the end of the diary period, the pending diary and the policy freeze will be deleted and the dividend authorized under the option of record by preparation of VA Form 29-8528, Paid Dividend/Dividend History, transaction type 616, without control accounts. If the insured replies before the end of the diary period requesting that the dividend be authorized under an option other than LOLI, the dividend will be authorized in accordance with the insured's request.

c. When the conditions outlined in subparagraph a above are present and a dividend is due, the policy is paid through the premium-paying period and the dividend option is other than paid-up additions, the computer system will automatically suppress the RPO, reason code 694, and take the following action:

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(1) Change the dividend option to LOLI; and

(2) Release VA Form 29-8348 to the insured with the following message:

Your Government Life Insurance policy provides that when a loan indebtedness equals or exceeds the cash value, the policy will be canceled automatically and cannot be reinstated. We have changed your dividend option to the indebtedness option and will use your dividends to reduce the loan indebtedness. We suggest you make monthly payments to reduce your indebtedness so as to continue your protection.

**33.05 INSURED REQUESTS REFUND OF DIVIDEND DEPOSIT**

a. If, after the first or final notice has been sent and the action type is 3 or 4, the insured requests refund of all or part of the dividend deposit balance before the automatic surrender date, or when the action type is other than 3 or 4 and the input to refund all or part of the dividend deposit balance is rejected (reason code 480), the computer will be requested to recompute the automatic surrender date.

b. When a partial refund of the dividend deposit balance is requested and the remaining cash value (policy reserve only or policy reserve plus the reduced amount of dividend deposit) is sufficient to carry the loan indebtedness to a date later than the date the refund will be processed, the refund will be made and the automatic surrender routine initiated again.

c. However, if the insured requests refund of the entire dividend deposit balance and it is necessary to use all or part of this balance together with the policy reserve to carry the loan indebtedness to the date of refund, only that portion of the dividend deposit balance that is not needed to pay the loan indebtedness is refundable. A dictated letter will be prepared informing the insured of the amount of dividend deposit that is refundable and that, if the refund is made, the insurance will be terminated as of the date of the refund. The insured will also be told that if he or she still wants the available dividend deposit balance to be refunded, he or she has 31 days to confirm the request and if no reply is received, the dividend deposit balance will be used to keep the insurance in force for as long as possible.

**33.06 INSURED REQUESTS CASH SURRENDER OF PAID-UP ADDITIONS AND LOAN EXCEEDS RESERVE OF PARENT CONTRACT**

a. If, after the first or final notice has been sent and the action type is 3 or 4, the insured requests surrender of all or part of the paid-up additions balance (or when the action type is other than 3 or 4 and the input to surrender the paid-up additions only is rejected (reason code 608)), the computers will be requested to recompute the automatic surrender date.

b. When a partial surrender of the paid-up additions is requested and the remaining cash value (policy reserve only or policy reserve plus the reduced amount of paid-up additions) is sufficient to carry the loan indebtedness to a date later than the date of surrender, the surrender will be processed and the automatic surrender routine initiated again.

c. However, if the insured is requesting a complete surrender of the paid-up additions and it is necessary to use all or part of the paid-up additions together with the policy reserve to carry the loan indebtedness to the date of surrender, only that portion of the paid-up additions that is not needed to pay the loan indebtedness is refundable. A dictated letter will be prepared informing the insured of the amount of paid-up additions that is refundable and that, if the surrender is made, the insurance will be terminated as of the date of the refund. The insured will also be told that if he or she still wants the available surrender value, he or she has 31 days to confirm the request and if no reply is received, the paid-up additions will be retained to keep the insurance in force for as long as possible.

### **33.07 NOTICES TO INSURED RETURNED AS UNDELIVERABLE**

a. When notices to the insured are returned as undeliverable, efforts will be made to obtain a current address. (For procedures to follow in obtaining a current address, see ch. 13.) If the current address of the insured is obtained before the date the insurance will be surrendered, a dictated letter will be released informing him or her

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of efforts to notify him or her that the insurance is in danger of surrender. The returned notice will be enclosed with the letter. If there are 90 days or less remaining before the surrender date or the surrender date has passed, the letter will inform the insured that this is the final notice and that he or she will be allowed 90 days to reduce the indebtedness.

b. When all efforts to obtain a current address fail, notice will be considered to have been given and the insurance protection will cease as of the date the loan indebtedness equals or exceeds the cash value.

### **33.08 FINAL ACTION**

a. If the loan indebtedness has not been reduced after the FINAL NOTICE has been released, 1 month after -the automatic surrender date, the computer system will generate an RPO, reason code 904. (The RPO is generated 1 month after the surrender date to eliminate premature purging of records because a sufficient remittance to reduce the indebtedness may have been tendered by the insured just prior to the surrender date.)

b. Upon receipt of the RPO, the Policy Service Technician will prepare:

(1) VA Form 29-5894a, Optional Segment Input Card, or VA Form 29-8525, Dividend/Loan/Lien, to delete the loan.

(2) If appropriate, an additional VA Form 29-5894a or 29-5825 to delete the dividend credit/deposit balance.

(3) VA Form 29-5897a, Accounting Control Input Card-ADP, or VA Form 29-8527, Accounting Control, to complete any necessary accounting and to purge the master record.

(4) A dictated letter advising the insured of action taken.

c. The RPO will be noted to indicate release of the necessary input documents, dated, initialed and filed in the insurance folder.

d. Any credits, such as dividend credit balance, that were not used to reduce the indebtedness will be refunded to the insured.

e. If it subsequently develops that the insured died within 90 days from the date the insurance protection ceased, the case will be referred to the Chief, Insurance Program Management Division, VA center Philadelphia, for decision if the insurance will be considered in force on the date of death.

### **33.09 DEATH PRIOR TO END OF 90-DAY PERIOD**

a. If the insured, not having made a payment to reduce the indebtedness, dies after the date the policy would automatically be surrendered but prior to the end of the 90-day period from the date of notice, the insurance will be considered in force on the date of death. The outstanding loan, with interest to the date of death, will be deducted from the settlement.

b. If it is determined, after being notified of the death of an insured, that he or she was never notified of the potential automatic surrender of the policy, the insurance will be considered in force on the date of death. The outstanding loan, with interest to the date of death, will be deducted from the settlement. However, if the outstanding indebtedness equals or exceeds the face amount of insurance on the date of death, the policy will be terminated and no settlement will be processed.

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Change 11**

**January 30, 1974**

c. If no payments are made to reduce the indebtedness 1 month after the date furnished the insured in subparagraph b above an RPO, reason code 904, will be generated. Upon receipt of the RPO, the reserves of the basic policy and the paid-up additions will be used to clerically compute a date when the loan indebtedness will equal or exceed the combined reserves.

d. If the new date is within 15 months, the insured will be advised of the date when the loan indebtedness will equal or exceed the combined reserves. will also be told that if payments are not made to reduce the indebtedness, the basic policy and the paid-up additions will be terminated as of that date.

e. If the new date is not within 15 months, the insured will be advised that the cash value of the paid-up additions is being used to keep 12's policy in force.]

b

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**January 30, 1974**

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May 12, 1980

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### 34.01 GENERAL CHAPTER 34. VETERANS' MORTGAGE LIFE INSURANCE

a. Public Law 92-95, approved and effective August 11, 1971, authorized the Administrator of Veterans Affairs to purchase from one or more life insurance companies a policy or policies of mortgage protection life insurance on a group basis. These policies automatically insure any eligible veteran who is or has been granted assistance in securing a suitable housing unit under 38 U.S.C. ch. 21 against the death of the veteran, unless the veteran elects in writing not to be insured under this group policy or fails to timely respond to a request from the VA for information on which his [or he?] premium can be based.

b. The Bankers Life Insurance Company of Nebraska, Lincoln, Nebraska was selected to be the insurer for the VMLI (Veterans Mortgage Life Insurance). Group Policy Number GL-1604 was issued for this purpose.

c. To facilitate the handling of administrative decisions and to maintain liaison with the VA, the insurer established the OVMLI (Office of Veterans Mortgage Life Insurance) with the following address:

Office of Veterans Mortgage Life insurance PO. Box 81497  
Lincoln, Nebraska 68501

d. The insurance program is under the supervision of the VA. The VA Center, St. Paul, Minnesota, was designated the responsibility of notifying veterans concerning their eligibility for VMLI. This relates to veterans with a permanent and total service connected disability who have received a grant in securing a specially adapted housing unit.

e. Additional responsibilities of the VA center include maintaining records of all activities incident to the release of the notifications and the necessary followup requirements; the control and processing of replies; liaison with the St. Paul and Hines data processing centers for the establishment and control of deductions from benefits for the payment of monthly premiums; and the accumulation and control of all material for acceptance cases which will be forwarded to the insurer.

f. Premiums are payable monthly and are due on the 11th day of each month. They are based on the mortality costs of insuring standard lives, and are, therefore, lower than any commercial premiums for similar coverage. The Government bears the administrative cost of the insurance and all costs for claims in excess of the premiums paid by the veterans.

g. The law authorized and directed the VA to deduct the premiums charged veterans for the life insurance under this program from any compensation payable to them by the VA, and to pay such monthly premiums to the insurer. An insured veteran, not drawing compensation from the

VA, must pay his [or her] premiums directly to the insurer. It is not the responsibility of the VA to see that these direct premiums are paid monthly.

h. Premiums are determined by the insurance age of the veteran, the outstanding balance of the mortgage at the time of application, and the remaining length of time the mortgage has to run.

i. When the insurance is approved on a day other than the 11th, a full monthly premium will be collected for any portion of a month.

j. As the premiums collected from insureds' benefits do not cover the cost of this program, additional funds will be transferred periodically to the Bankers Life Insurance Company of Nebraska from the compensation and pension appropriation 36X0102. [These funds are deposited into a Contingency Reserve Fund which is regulated by OVMLI. Consistent with an agreement between the VA and OVMLI, the fund is to remain at a level no lower than \$200,000 and not in excess of \$400,000. To accomplish this, the manager of OVMLI telephones the Insurance Program Management Division

(290), VA center, Philadelphia, each time the fund falls to the lower level and requests a contribution to the fund. (The call is ~ followed by a formal written request.) As a result of the telephone contact, a teletype is sent to the Hines DPC (data ~ processing center) advising them to disburse the required funds to OVMLI. In addition, the Director, Budget Staff (201E) and

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the Chief Benefit Payment and Accounting Policy Division (047C2), VA Central Office, are advised that the disbursement has? - been authorized.]

k. Figure 34.01 provides the basic requirements for VMLI and, assuming the requirements are met, the effective date of the insurance under various conditions.

**34.02 INITIAL NONIFICATION TO ELIGIBLE VETERANS**

a. All living veterans who had received a housing grant as of August II, 1971, had to be contacted and offered an opportunity to apply for the insurance.

b. When a veteran [was] granted assistance in securing a suitable housing unit, he [/she was] assigned a PHGRC number [(currently known as a PH number)]. Using the file of PHGRC numbers maintained in the [Washington regional office (file is now maintained in Central Office)], photocopies of the PHGRC's [(formerly VA Form 4-1836 and VA Form 26-1836(372), Paraplegic Housing Grant Record Card; currently VA Form 26-1836, Specially Adapted Housing Grant Record Card)] were obtained for [those] veterans eligible for the insurance on August 11, 1971. A VMLI folder was established for each PHGRC. The Hines DPC furnished three sets of address labels for each eligible veteran based on information in the compensation and pension master records. A package for mailing was assembled for each address label. The package contained:

(1) FL 29-710(NR) [(discontinued)] which briefly explained the new legislation, showed the date of the mailing and the veteran's PHGRC number.

(2) VA Form 29-8636, [Veterans' Mortgage Life Insurance] Statement.

(3) Return envelope, addressed and postage free.

(4) An FL 29-71 1(NR) ((discontinued)), which requested the package be mailed to the veteran, when the label indicated the veteran's address was in care of a bank or other financial institution. This letter also showed the veteran's PHGRC number. The FL 29-71 1(NR) [(discontinued)] was not released when the institution appeared to be a court-appointed fiduciary (incompetency case).

c. The VMLI folder was noted to show the release of the package.

[d. See paragraph 34.09 for current processing procedures.]

### **34.03 SECOND AND FOLLOWUP NOTIFICATIONS**

a. After 25 days, a second package was assembled and mailed to all veterans who had not responded to the first mailing.

VA Form 29-621(335), Important Notice, was also enclosed in the second mailing. It solicited the cooperation of the veteran. The FL 29-710(NR)[(discontinued)] carried the new mailing date. The VMLI folder was noted to show the followup date.

b. For those veterans who failed to respond within 25 days of the second mailing, a letter was sent to the Director of the regional office having jurisdiction over the area in which the veteran resided. VA Form 29-8636 [ ], and a return envelope were enclosed with the letter. The letter requested the regional office, through a responsible official, to endeavor to personally contact the veteran (or guardian for incompetency cases). The veteran (or guardian) was asked to complete the VA Form 29-8636 (part A to apply for the insurance or part B if it is being declined). When the veteran (or guardian) refused to cooperate, a VA Form 119, Report of Contact, was requested. The VA Form 119 was also requested if the veteran (or guardian) could not be located. When there were any indications that the veteran no longer owned the property involving a [specially adapted] housing grant, the information was to have been included in the report. Completed VA Forms 29-8636 and/or 119 were returned to the VA Center, St. Paul, Minnesota. The VA Forms 119 that indicated a failure to cooperate or the inability to locate the veteran (or guardian), were considered as declinations.

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### **34.04 PROCESSING REPLIES**

a. All replies involving an acceptance of VMLI were acknowledged [ ] by the VA center, St. Paul.

b. When the reply involved a declination of the insurance without a reason (blocks 1 and 3 of item 3, part B, VA Form 29-8636), the veteran was asked for an explanation of the decision to refuse the insurance protection.

c. When discrepancies existed or information was incomplete in an acceptance of the insurance (part A, VA Form 29-8636), the VA center, St. Paul, corresponded directly with the veteran (or guardian). The missing information or clarification was requested by letter and, if necessary, another VA Form 29-8636 was released. When the VA Form 29-8636 contained complete information in items 2 through 8 and a signature in item 14, the veteran (or guardian) was not contacted. If the date was missing in item 15, the postmark date was entered. Missing mortgage information (items 9 through 13) was obtained from the mortgage company shown in item 8 (see subpar. d below). (Item numbers are different on later editions of this form.)

d. An FL 29-71 2(NR) [(now FL 29-712)] (currently dated) and a return envelope were released to the mortgage company for all cases involving an acceptance of VMLI by a veteran or his (or her) guardian. Whenever a mortgage company failed to respond to an FL 29-712(NR) within 25 days, another FL 29-712(NR), prominently noted in red SECOND REQUEST was released. If there was no response within 25 days of the second request, the mortgage company was contacted by telephone. If the information received from the company conflicted with that received from the veteran, or needed any clarification, the mortgage company was contacted again.

e. When a statement was returned unclaimed as a result of the first or second mailing to the veteran, the appropriate regional office was contacted for a better address. When mail was returned unclaimed as a result of a mailing to a mortgage company, the veteran was requested to verify the address. When a statement was returned unclaimed [because of the death of the veteran,] determination as to insurability was made in accordance with the instructions provided in paragraph 34.19.

#### **34.05 INITIAL PROJECT-PROCESSING NO-MATCH CASES**

If no address label was received from Hines DPC, the PHGRC was reviewed to determine if there was a record of a grant having been vouchered. For those cases indicating a grant was vouchered, the PHGRC's were forwarded to Central Office Index Division. Upon return of the indexed PHGRC's they were separated into death cases (see par. 34.19 below); those with [claim] number corrections and all others. When [claim] number corrections were involved, the appropriate regional office and the Hines DPC were contacted to attempt to resolve the discrepancy. If eligibility was established, a mailing package was assembled, dated and released to the veteran. This delayed mailing also applied to all other cases that were omitted during the first mailing. When a suitable address was not apparent on the PHGRC, the appropriate regional office was contacted.

*NOTE: Under no circumstances was a veteran billed for premiums for the period between August 11, 1971, and the date a declination was received as long as the declination was a response to one of the original mailings or personal contacts by a VA employee.*

#### **34.06 INITIAL PROJECT-PROCESSING INPUT TO ESTABLISH DEDUCTIONS**

a. Concurrent with the receipt of the address labels, the VA center, St. Paul, also received a VA Form 29-5926, Request for DFB Action, for each set of address labels. This form was used as a turnabout card for input to the system for the purpose of calculating the amount of premium to be withheld from the veteran's compensation.

b. Upon receipt of the information from the mortgage company (on FL 29-712(NR)) [(currently FL 29-712)], the turnabout card was clerically completed to show the

- (1) Effective date of original mortgage.
- (2) Duration of original mortgage in years.

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- (3) Date of birth.
- (4) Effective date of insurance.

(5) Amount of deduction (premium).

(6) Mortgage balance.

c. If a mortgage loan balance exceeded \$30,000, or there was evidence of irregular payments (intermittent or ballooned payments during some part of the year or at the end of the mortgage period), a letter accompanied by the entire file of material was directed to the Office of the Chief Actuary (299), Central Office, for the computation of the correct premium. Also, if the veteran was responsible for a construction loan prior to taking possession of the house and amortization of the mortgage was delayed, the case was sent to the Office of the Chief Actuary for computation of the premium. The turnabout cards for this group were withheld from the workflow until a reply was received from the Chief Actuary.

d. The completed turnabout cards were sent to the St. Paul DPC to be keypunched, processed card-to-tape and transmitted to the Hines DPC. [ ]

e. The processed turnabout cards, including the rejects, were returned to the VA center, St. Paul, to be retained indefinitely. Additionally, the servicing DPC supplied a tabulated reject listing that was identified as MPLI EDIT REJECT LISTING. It identified each reject and the reason for rejection. If in order, the required corrections were made and a second turnabout card or suitable replacement submitted.

#### **34.07 INITIAL PROJECT-FINAL ACTION IN VA CENTER, ST. PAUL**

a. Upon receipt of feedback information from the Hines DPC (VA Form 20-8270, C&P Master Record-Audit Writeout), the VA Forms 29-8636 were completed (items 16-20) and combined in the VMLI folder with all other related material. Information about the amount of the monthly premium (the amount appeared on the VA Form 20-8270) was released to each insured with a local form letter.

*NOTE: Item numbers on VA Form 29-8636 differ with later editions.]*

b. Declinations [were] maintained in the VMLI folders with related material in the VA center, St. Paul indefinitely. Material for other veterans (those without grants, death before the date of the law, ineligible because of age, no mortgage, etc.) are also retained at the VA center.

#### **34.08 RECORDING ACTION TAKEN**

All actions taken such as first mailing, second mailing, letter to VA regional office, FL 29-712(NR) [(currently FL 29-712)] to mortgage company, VA Form 29-5926 completed, etc., were recorded on the VMLI folder to reflect the date and type of action taken.

#### **34.09 NOTIFICATION OF VETERAN**

a. For a veteran becoming eligible to apply for the insurance after August 11, 1971, a copy of his[/her VA Form 26-1836, Specially Adapted Housing Grant Record Card], is mailed to VA center, St. Paul (292M), from the office of the Assistant Director for Construction and Valuation (262A), Central Office.] The St. Paul VA center will index the [PH number] through BIRLS (Beneficiary Identification and Records Locator Subsystem) before taking any other action.

b. The veteran will be sent a [letter which briefly explains the insurance, a VA Form 29-8636 and VA Pamphlet 29-79-2, Information and Premium Rates for Veterans Mortgage Life Insurance. The letter also requests a reply within 31 days from the date of the letter. If a response is not received within 45 days, a letter will be sent by certified mail with a return receipt requested. It will inform the veteran that failure to furnish the necessary information will terminate any coverage he/she may have had 60 days from the date of the letter. A 60-day diary will be established upon release of the letter].

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c. [If, during the diary period, a change of address is received from the Hines DPC and the return receipt card has not yet been returned, a second letter will be released to the veteran at the new address. At this time, a new 60-day diary will be established beginning the date the second letter is released. However, if the return receipt card has been returned, a second letter will not be released and the original diary will remain unchanged.]

d. In all cases, by the 50th day of the diary, the veteran will be contacted by telephone or in person regarding the required information. At this time it will be ascertained if the veteran still desires the coverage. If the veteran does desire the insurance, it will be made clear to him or her what information is needed in order to comply.

e. A VA Form 119 will be prepared showing how the veteran was contacted and the result of the contact, or showing the veteran was not contacted and the reason why. The VA Form 119 will be filed in the veteran's claims folder.

f. At the conclusion of the 60-day diary period, if the veteran has failed to comply, a letter will be sent by certified mail with a return receipt requested, informing the veteran that the coverage has ceased as of a specified date.]

#### **34.10 PROCESSING VA FORM 29-8636**

[a.] Upon receipt of a VA Form 29-8636 from a veteran becoming eligible for the insurance after August 11, 1971, the VA center, St. Paul, will take appropriate action as provided in paragraph 34.04.

[b. Upon receipt of a VA Form 29-8636 from a veteran who has been eligible for the insurance but did not contract for the coverage because he or she was not obligated under a mortgage loan on the date of eligibility; or elected in writing not to be insured; or failed to timely respond to a request for information on which premiums could be based; or refinanced an existing mortgage; or obtained a new mortgage on a new housing unit after selling a housing unit which was already insured, the following procedure will be followed:

(1) The applicant will be informed in writing of the date he or she was eligible for the coverage or the date the previous coverage terminated, whichever is appropriate.

(2) The applicant will then be requested to answer the following two questions:

(a) Has your health changed in any way since the date shown above?

(b) Have you acquired any new disabilities since the date shown above?

(3) If the answer to either of the two questions (see subpar. (2) (a) and (b) above) is in the affirmative, the applicant would be requested to furnish specific information concerning the dates of treatment, and the names and addresses of any doctors or hospitals that provided treatment.

(4) Upon receipt of the above information, the case should be referred to the Insurance Program Management Division (290A), Philadelphia VA center, for review and a final decision.

(5) The Insurance Program Management Division will review the application for insurance and return a written notification of their decision. Upon receipt of the notification, appropriate action will be taken to grant or deny coverage to the veteran.

(6) In any case when the veteran does not indicate that there has been any change in his or her health status, appropriate action to grant the coverage will be initiated immediately upon receipt of his or her negative response to the health questions.]

#### **34.11 PROCESSING NO-MATCH CASES (OTHER THAN DEATH)**

a. Upon receipt of a VA Form 29-8636 with part A completed and there is no record of a [VA Form 26-1836] being received, it will be necessary to contact the [Specially Adapted Housing Unit in Central Office to] request status of the veteran.

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b. If the [VA Form 26-1836] has been received but the information on the VA Form 29-8636 does not agree with the information on the card, action will be taken to resolve the discrepancy. If the file number does not agree, the veteran will be indexed through BIRLS and the appropriate regional office and Hines DPC contacted to determine the correct file number.

#### **34.12 PROCESSING INPUT TO ESTABLISH DEDUCTIONS**

a. After the appropriate information is received from the veteran and the mortgage company, a VA Form 28-8645, Deduction From Benefit Code Sheet for VMLI, will be prepared. The insurance premium block will be blank except as provided in subparagraph b below. Up to nine cases may be entered on each form. (See par. 34.17 for completing VA Form 298645.)

b. If the mortgage loan exceeds \$40,000, or payments are to be made on an irregular basis, or ballooned payments are to be made, [an overprinted VA Form 3230, Reference Slip, and] the entire [VMLI] file will be sent to the Actuarial Staff (299), VA center Philadelphia, for computation of the premium. Also, if the veteran is responsible for a construction loan prior to taking possession of the house and amortization of the mortgage is to be delayed, the case will be sent to the Actuarial Staff (299) for computation of the premium. These cases will not be entered on the VA Form 29-8645 until a reply is received from the Actuarial Staff (299) at which time the case will be entered on the form, including the amount of premium in the Insurance Premium block (47-51).

[(1) Prior to sending a case to the Actuarial Staff (299) for a premium calculation, the VMLI specialist will determine and assign an effective date to the contract. In order to assign the correct effective date, use the instructions outlined in subparagraphs (a) 1 and 2 below.

##### **(a) In Cases Involving an Additional Grant**

1. If the original insurance was effective before October 1, 1978, the reduced coverage was effective October 1, 1978; the Actuarial Staff (299) will calculate the reserve credit to October 1, 1978. Any difference in premiums will be refunded from V October 1, 1978, to the current date.

2. If the original insurance was effective on or after October 1, 1978, the reduced coverage will have the same effective date as the original insurance. Do not send these cases to the Actuarial Staff (299). Premiums will be refunded from the effective date to the current date.

##### **(b) In Cases Not Involving an Additional Grant**

1- If it is a case that involves previous VMLI coverage, it will be sent to the Actuarial Staff (299) for calculation of the reserve credit.

2. If it is an original case with a construction loan, and the amount of the mortgage is less than or equal to the maximum amount of insurance (\$40,000), it need not be sent to the Actuarial Staff (299) for calculation. To calculate the premium on any such case, add 1 year to the term of the mortgage and use the published premium tables.

(c) In no case will the increase in the specially adapted housing grant result in a reduction of the veteran's eligibility for the \$40,000 maximum insurance coverage.]

c. The completed VA Forms 29-8645 will be sent to the St. Paul DPC to be keypunched, processed card-to-tape, and transmitted to the Hines DPC. [ ]

d. The processed VA Forms 29-8645, including rejects, will be returned to the VA center, St. Paul, to be retained indefinitely. In addition, the servicing DPC will supply a tabulated reject listing identified as MPLI EDIT REJECT LISTING. It will identify each reject and the reason for rejection. If in order, the required corrections will be made and the case entered on a new VA Form 29-8645.

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#### **34.14 CERTIFICATES**

Each insured veteran will receive a certificate from the VA setting forth the benefits to which he or she is entitled under the insurance, and the essential features of it, including any provisions limiting the coverage, or reducing the benefits, to whom benefits are payable, and to whom proof of claim should be submitted. [The amount of insurance coverage is shown on the address label].

#### **34.15 INCREASE IN AMOUNT OF GRANT**

a. Eligible veterans [received] a \$12,500 housing grant prior to and after the VMLI program became effective on August 11, 1971. On July 10, 1972 the amount of grant was increased to \$ 17,500. [On December 31, 1974, the grant was increased to \$25,000. Further, on October 18, 1978, the grant was increased to \$30,000. This latter increase was made effective as of October 1, 1978, and is available not only to veterans submitting a grant application on or after October 1, 1978, but is also available to those veterans who received a grant prior to October 1, 1978] and who, on that date, had undisbursed [grant] funds in an escrow account [ ].

b. [When supplemental grant funds are approved, Central Office furnishes the VA center in St. Paul with a supplemental VA Form 26-1836].

c. If action was not initiated when the first [VA Form 26-1863] was received, the supplemental [form] should be processed as an original card. If a premium has already been established as a result of the original card, the veteran should be contacted to determine what disposition was made of the supplemental grant. If the original mortgage principal or mortgage period has been reduced, this information should be verified through the mortgage

company. If the information is confirmed, action should be taken to adjust the VMLI premium and the insurer advised to effect any refund that is due the insured.

#### **34.16 CHANGE OF ADDRESS**

a. Whenever a veteran who has received a housing grant, submits a change of address to the Hines DPC, they will notify VA center, St. Paul, and provide the current address.

b. If the address change involves a veteran with VMLI in force, the insured will be immediately requested to inform the VA if the change of address indicates termination of ownership of the housing unit on which the mortgage insurance was obtained. He or she will also be advised that the unused portion of eligibility for mortgage insurance may be obtained on a new home only in those instances when he or she has divested himself or herself of ownership of the prior home. Continued residence in the home on which the insured mortgage exists is not a requirement in order to keep the insurance in force.

c. If the address change involves a veteran without VMLI in force, the related records will be examined to determine the status of the case. If the insurance was previously declined, or was terminated as no longer desired, or because of age, the change of address notice may be filed without further action. If the insurance was previously declined or terminated because the housing unit was sold, or no mortgage existed, or because the mortgage was paid off, the veteran should be contacted to determine if he or she is eligible to apply for the insurance. If the reply indicates eligibility to apply, a VA Form 29-8636 will be released together with a dictated letter. The letter will inform the veteran that he or she may be eligible for the mortgage insurance and the enclosed form should be completed: Part A if he or she wants to apply for the insurance, or part B if he or she does not wish to apply. If the letter is returned unclaimed and it is correctly addressed, or if a reply is received indicating no interest in the insurance, no additional action will be taken and no diary will be established nor a followup made when a veteran fails to respond to an inquiry involving a change of address.

d. If the veteran applies for the insurance, the usual development and processing as provided previously will be completed. The effective date of the new insurance coverage will begin as of the 11th day of the premium month in which the acceptance was signed. Under no circumstances will the insurance coverage be automatic when resumption of eligibility is involved. Resumption of eligibility is defined as a mortgage loan on a second or subsequent home acquired after August 11, 1971, the effective date of the law which provides for this insurance program.

e. A change of address in care of a banking institution or a guardian (incompetent case) will be disregarded and filed without further action.

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#### **34.17 ADJUSTMENT OF PREMIUMS**

The following rules apply when adjusting VMLI premiums:

a. A recalculation of the premium is required whenever the prepayment(s) on the mortgage under which the amount of insurance is determined amounts to \$600 or more from the original date of the insurance or from the date the premium was last adjusted. MI discrepancies will be resolved by contacting the company holding the mortgage.

b. When the adjustment is made retroactively because of an error, the premium must be computed at the original age.

c. When an adjustment is made currently because of a current prepayment, the premium must be computed at the current age.

d. If the prepayment is made after the effective date of the mortgage insurance, the adjustment will be made as of the next monthly due date following the reduction.

e. Whenever the input information will cause the system to calculate the premium incorrectly, it should be manually calculated and entered on VA Form 29-8645.

(I) A discontinuance entry (action type 3) and an establishment entry (action type 5) is needed to change a name or file number. A single entry (action type 5) will accomplish the necessary action on premium adjustments.

| BLOCKS | TITLE                                              | ENTRY                                                                                                                                                                |
|--------|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1      | Blank                                              | Leave blank.                                                                                                                                                         |
| 2-10   | File No. or Social Security No.                    | File or Social Security No. If file number, leave block 2 blank.                                                                                                     |
| 11-13  | Name Code                                          | First three letters of insured's last name.                                                                                                                          |
| 14     | No Title                                           | Leave blank.                                                                                                                                                         |
| IS     | Action Type                                        | 5-If establishment.<br>3-If discontinuance.                                                                                                                          |
| 16     | No Title                                           | Leave blank.                                                                                                                                                         |
| 17-22  | Effective Date of Original Loan (Month, day, year) | If establishment, actual effective date of loan.<br>If discontinuance, leave blank.                                                                                  |
| 23-26  | Duration of Orig. Mtge. (Yrs.)                     | If establishment, two-digit year in blocks 23-24, and two-digit month in blocks 25-26 to show duration of original mortgage. If discontinuance, leave blank.         |
| 27-32  | Date of Birth (Month, day, year)                   | If establishment, show insured's date of birth.                                                                                                                      |
| 33     | No Title                                           | Leave blank.                                                                                                                                                         |
| 34-39  | Effective Date of Insurance (Month, day, year)     | If establishment, show actual effective date of insurance.<br>If a correction, use a date that will prevent duplicate deductions.<br>If discontinuance, leave blank. |

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BLOCKS TITLE ENTRY

|       |                          |                                                                                                                                                 |   |
|-------|--------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|---|
| 40    | No Title                 | Leave blank.                                                                                                                                    | b |
| 41-45 | Current Mortgage Balance | If establishment, show balance as of the original effective date of insurance.<br>If discontinuance, leave blank.                               |   |
| 46    | No Title                 | Leave blank.                                                                                                                                    |   |
| 47-51 | Insurance Premium        | Insurance premiums for all cases where premium was supplied by the Chief, Actuarial Staff, and on all corrective cases. Otherwise, leave blank. |   |
| 52    | No Title                 | Leave blank.                                                                                                                                    |   |
| 53-58 | No Title                 | Leave blank.                                                                                                                                    |   |

(2) New cases may be entered on the same code sheets that are used for correction purposes.

(3) Corrections should be made on a current basis to insure that retroactive deductions of premiums already withheld are not made. For example, if a correction is to be made in the January cycle, and the premium for December has already been deducted, the effective date of insurance field should show a January date not earlier than the 11th of the month.

(4) Refunds of overdeductions will be made by the St. Paul VA center, who will request the OVMLI to return the necessary funds. The money will be deposited and subsequently disbursed from 36X6875, Suspense. Similarly, the St. Paul VA center will collect underdeductions from the insured and transfer them to the OVMLI. Figure 34.02 provides the effective date of premium refunds under different situations.

(a) In the case of small amounts of underdeductions, the insured will be advised of the amount and that the payment should be made to the Office of Veterans Mortgage Life Insurance, Lincoln, Nebraska. A copy of the letter will be sent to that office advising them of the amount in question.

(b) If the veteran owes an amount, the repayment of which in one sum may cause a hardship, the veteran will be advised and given the opportunity to repay the amount in a lump sum or have it taken from future compensation checks until the underpayment is paid.

### 34.18 ADJUSTMENT OF AMOUNT OF INSURANCE

a. If title to an undivided interest is vested in a person other than the spouse, the amount of the insurance should be computed to be such part of the total of the unpaid principal of the loan outstanding as is proportionate to the undivided interest of the veteran in the entire property.

b. If the insured has deeded an interest in his/her home to her than the is VMLI coverage must be reduced proportionately fly. For instance, en 50 percent of 4interest is deeded the insurance will be reduced by 50 percent a is premium adjusted accordingly. The veteran will be advised by letter of the action taken. The company ho mortgage will be notified about the reduction in the amount of insurance coverage.

### 34.19 ADJUDICATION OF DEATH CLAIMS

a. When a notice of death is received and it is determined there is no VMLI in force, the following determinations will be made:

(1) A grant was approved and vouchered.

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- (2) Date of death was on or after August 11, 1971.
- (3) Veteran was under age 70 on the date of death.
- (4) A mortgage existed on the house on the date of death.
- (5) There is no record of the veteran declining the insurance.

b. If the deceased veteran meets the foregoing requirements, the complete mortgage information will be forwarded to the insurer.

c. Upon receipt of proof of death of an insured, the St. Paul VA center will take the following action:

(1) Photocopy all pertinent material in the [SAHGRC] folder including the death certificate. The original of the death certificate will be sent to the insurer with the photocopies of the other material. The photocopy of the death certificate will be filed in the (SAHGRC] folder.

(2) If records indicate the present house is not the original, evidence will be obtained that the prior house was sold. This information must be obtained as it is the responsibility of the VA (VA center, St. Paul) to determine if the veteran is insured.

(3) Review the tabulated listings from Hines DPC to determine premium deductions. If any premiums are due on the date of death, the information will be included in the letter to OVMLI.

(3.1) Contact person reporting the death of the veteran or next of kin for an affidavit of ownership [with a current certification] advising them that this information can be obtained from their local Registrar's office.

(4) If there is any question about the veteran being insured and it cannot be resolved at the VA center, St. Paul, the case file with a statement of facts will be sent to the Chief, Insurance Program Management Division ((290)], VA center, Philadelphia, for a decision.

(5) After all the information and material as provided in this subparagraph have been assembled, a final review will be made to assure that all pertinent material is included and everything is in order.

(6) A letter will be prepared for the signature of the Insurance Officer to send the information and material to OVMLI. A statement that the claim is payable will be included in the letter.

(7) Upon receipt of the letter and the material from VA center, St. Paul, the insurer will complete the appropriate portion of [CL 73], Veterans Mortgage Life Insurance Death Claim Form, and send it to the mortgage holder. Upon receipt of the form, the mortgage holder completes the appropriate portion of GR 5733 and returns it to the insurer. The insurer now pays the claim and sends a copy of the (CL 73] to the VA center, St. Paul, for their records. The form shows the name of the insured, his (or her] date of birth, location and legal description of the property, original effective date of the mortgage, amount of the mortgage, interest rate, duration of the mortgage, status of payments, principal balance, accrued interest and total amount that was due as of the date of death. The copy of the form will be filed in the VMLI folder.

### **34.20 RECOVERY OF EARNED AND UNEARNED PREMIUMS**

a. When the VA center, St. Paul, receives a notification of a VA compensation check having been canceled because of the veteran's death, and earned or unearned premiums due have been deducted for a period when the veteran was not entitled to compensation payments, it will be necessary for the center to contact the OVMLI and request that the premiums be returned to the VA center, St. Paul, for the attention of the Chief, Insurance [ ] Division.

b. When the checks are received, they will be sent to the [Agent] Cashier, Collections and Cashier Section, Finance and (Centralized Accounts Receivable] Division, for deposit to the credit of 36F3875, Budget Clearing Account (Suspense) VA.

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SF 1081, Voucher and Schedule of Withdrawals and Credits, will be prepared to transfer credits to Hines DPC. The appropriation to be credited will be shown as 26X0102, Compensation and Pension, VA. The SF 1081 (or attached listing) will identify each veteran by name, file number, [entitlement code, regional office of jurisdiction,] amount of his(/her] credit and the reason for return of the money.

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May 12, 1980

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Change 16

**CORRECTED COPY**

**BASIC REQUIREMENTS FOR VMLI**

- 1 - Housing grant has been issued.
2. Mortgage loan on house or commitment if house under construction.
3. Resides or will reside in mortgaged house.
4. Under age 70.

**INSURANCE EFFECTIVE DATE  
(assuming requirements are met)**

| <b>CONDITIONS</b> |                                                                      | <b>EFFECTIVE DATE</b>                                                                                                              |
|-------------------|----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| 1.                | Mortgage effective and grant issued prior to 8-11-71.                | 8-II-7I                                                                                                                            |
| 2.                | Grant issued prior to 8-11-71.<br>Mortgage effective after 8-1 1-71. | Date of mortgage                                                                                                                   |
| 3.                | Mortgage effective prior to 8-11-71.<br>Grant issued after 8-1 1-71. | Date grant issued                                                                                                                  |
| 4.                | Mortgage effective and grant issued after 811-71.                    | Except mortgage on other than original house prior to 1-11-72.<br>Mortgage effective date or grant issue date, whichever is later. |

- |    |                                                                                                                                     |                                     |
|----|-------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| 5. | Mortgage on other than original house effective prior to 1-11-72. Grant issued prior to 1-11-72.                                    | 1-11-72                             |
| 6. | Previous declination indicated or no mortgage. Application submitted subsequent to declination.                                     | Date agreed to by VA and applicant. |
| 7. | Previous VMLI coverage terminated. Application for coverage on new home.                                                            | Date agreed to by VA and applicant. |
| 8. | VMLI in force. Mortgage refinanced. Application for revised mortgage coverage. (If application disapproved, VMLI remains in force.) | Date agreed to by VA and applicant. |

**Figure 34.01 Basic Requirements for VMLI and Insurance Effective Date**

|                    |                                     |
|--------------------|-------------------------------------|
|                    | <b>34-10a</b>                       |
|                    | 609435                              |
| <b>May 12,1980</b> | <b>M29-I, Part II<br/>Change 16</b> |

**Figure 34.01 Basic Requirements for VMLI and Insurance Effective Date**

**January 30, 1974**

**34-10a**

**M29-1, Part II  
Change 11**

**REASON**

**REFUND EFFECTIVE DATE**

|                                     |                                                                                                                                                        |
|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| House<br>Sold                       | Next monthly due date following the date of sale. No date of sale, the next monthly due date following the postmark date of veteran's notice.          |
| Mortgage<br>Paid<br>Off             | Next monthly due date following the date mortgage paid. No payment date, the next monthly due date following the postmark date of veteran's notice.    |
| Insured<br>Requests<br>Cancellation | Next monthly due date following the postmark date of request or as of the premium due date for the month requested by the veteran, whichever is later. |
| Partial<br>Prepayment               | Next monthly due date following the date of reduction.                                                                                                 |
| Unearned<br>Premiums                | Premiums deducted after a veteran's death are refundable for credit to the veteran's account when requested by the regional office involved.           |

**Figure 34.02 Veterans Mortgage Life Insurance Premium Refunds**

September 13,1976

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Change 13

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**CHAPTER 35. CHANGE OR CORRECTION OF NAME**

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| 35.03     | Unsigned Statement                                | 35-2 |

September 13, 1976

M29-1, Part 11  
Change 13**[CHAPTER 35. CHANGE OR CORRECTION OF NAME****35.01 GENERAL**

- a. The instructions contained herein, apply to processing change or correction of name by the Policy Service

Section.

b. VA Form 29-586, Certification of Change or Correction of name, is designed for requesting change or correction of name. However, a statement over the signature of the insured, containing the necessary information, marriage license, court order of other official document will be acceptable as defined in M29-1, part J, paragraph 24.02.

c. When the original of the marriage license, court *order* or other official document is furnished, a photocopy will be obtained and filed in the folder. The original will be returned to the insured.

d. Certificate of Naturalization or Derivative Citizenship. If the change of name of the insured is made at time of naturalization, a certificate of naturalization or a certificate of derivative citizenship must be submitted as evidence of the change. Since reproduction of a certificate of naturalization or derivative citizenship is prohibited by law, photoprints will not be made. In this instance, the entry *Certificate of Naturalization (or Certificate of Derivative Citizenship), (Number and Date), issued by United States District Court of (City and State)* will be made on copy 3 of VA Form 29-587 in block marked Authority for change. The certificate will be returned to the insured by registered mail.

**35.02 PROCESSING CHANGE OR CORRECTION OF NAME OF INSURED**

a. Upon receipt of satisfactory evidence, a change or correction of name of the insured will be effected by preparation of a multiple set of VA Form 29-587.

- b. VA Form 29-587 will be prepared and the copies routed *as* follows:
- (1) Enter previous name of record in the blank space of the paragraph below the title of the form.
  - (2) Enter the full corrected name, as well as address, in the address space.
  - (3) Enter insurance file prefix and number.
  - (4) Enter policy number(s).
  - (5) Enter authority for change in blank space beneath the policy number on copy 3.
  - (6) The Policy Service Technician will enter his or her signature.
  - (7) Enter the current date.
  - (8) Route copies as follows:
    - (a) Copy 1 to insured.

(b) Copy 2 to Local Index. (Insurance Analyzer will prepare VA Form 07-7202d, Master Index, to notify Index and BIRLS).

(c) Copy 3 to folder.

c. Line through previous name on insurance folder and enter the corrected name.

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Change 13**

September 13, 1976

d. Prepare VA Form 29-5896a, Transaction Type 030 to change or correct policyholder's name in the life segment of the master record. Correct any off tape records.

(1) If the how paid code is 6 (Allotment from Active Service or Retirement Pay) or 3 (Deduction from Benefits), when necessary, prepare VA Form 29-5923, Transaction Type 121 to change or correct the name code on the deduction control tape.

(2) If the how paid code is 8 (Employee Payroll Deductions), when necessary, prepare VA Form 3230, Reference Slip, and route to Collections Section, Deposit Control Unit, with a VA Form 29-5886b, RPO (Insurance Record Printout), to change or correct the name code on the master deck.

NOTE: *When necessary to change or correct the name on a case coded GUARDIAN APPOINTED, use transaction type 080 instead of 030, as well as prepare VA Form 29-5891a.*

(3) If the how paid code is 5 (disability waiver), and the insured is receiving total disability income payments, the insurance folder will be referred to the Insurance Claims Section for preparation of VA Form 20-6566, Change of Name and Address Notice, after completion of all necessary action relative to the change of name in the Policy Service Section.

e. Release premium notices with new name if necessary.

**35.03 UNSIGNED STATEMENT**

If statement cannot be used as satisfactory evidence because it is unsigned, release VA Form 29-586. When this form is considered unsuitable, a dictated or MTST letter may be used.]



Chapter 36 - Conversions

- A. Change: M29-1, Part II, Chapter 36. This advance manual change is issued in conjunction with Advance Manual Change No. 12-84 in M29-1, Part I, and clarifies procedures for determining effective dates for conversions. It also establishes new procedures to be followed when a conversion application is received either for an effective date more than four months in the future, or for an account on which monthly term premiums have not been paid through the premium month prior to the month in which the application is received.
- B. Procedure: 1. Page 36-2, delete subparagraph 36.02c, d, and e, and substitute the following:
- c. A conversion application may not be accepted if any of the following conditions apply:
    - (1) The policy is lapsed, i.e., the premium due date of the next month due is more than 61 days prior to the postmark date of the application. Lapsed contracts may not be converted until reinstatement requirements are met. However, a policy may be reinstated and converted at the same time.
    - (2) The policy is not paid through the premium month prior to the premium month in which the application is postmarked and the remittance and/or premium credits are insufficient to pay the late premium.
    - (3) The application is for an endowment plan, and is either unsigned or was postmarked or delivered to the VA more than 31 days after the date of signature. In either case, a supplemental application should be requested.
  - d. If the insured fails to remit the initial premium, but all other requirements are met, the application should be accepted.
  - e. An unsigned application should be accepted, unless it is for an endowment policy. However, if the unsigned application has a beneficiary and option designation, the designation cannot be accepted. The insured should be sent a VA Form 29-336, Designation of Beneficiary and Optional Settlement, and advised that it must be completed, signed, dated and returned in order for a change in beneficiary and/or option to be made. Any beneficiary and option designation, whether it is received with an application or independently, must be reviewed for acceptability as outlined in paragraph 15.04 of this manual. 2.M29-1, Part II  
Advance Manual Change No. 13-84
2. Page 36-2, delete the note following subparagraph 36.02f.
3. Page 36-3, delete subparagraph 36.03a and substitute the following:
- a. On an antedated conversion, the reserve or difference in reserve may be paid by a direct payment and/or, if the new policy is antedated one or more years, by a loan on the new policy. The amount

of reserve or difference in reserve must be paid in full. No shortages will be allowed.

4. Pages 36-3 and 36-4, delete paragraph 36.04 and substitute the following:

36.04 EFFECTIVE DATE

a. The effective date of the permanent plan selected may be classified as any one of the following:

(1) Current Effective Date - The premium due date of the premium month in which the application was submitted, or the next following due date. A current effective date is used if no specific effective date is requested by the insured.

(2) Future Effective Date - The date any future premium becomes due after the next following due date, but not later than the 12th premium due date following the date of application. Applications with a requested conversion date of more than 120 days in advance will be diaried to a point within 120 days of the requested date and held pending along with any associated remittance. The insured will be advised by letter of the status of the account and, if applicable, of the advantage of converting with an earlier effective date to save age. If the conversion is to be for an endowment plan, however, the effective date cannot be more than 31 days from the date of signature.

(3) Past Effective Date - The date any past premium became due within any term period. Under the NSLI program it is not permissible to antedate to a younger age in order to qualify for a Modified Life plan of insurance. However, if an application is submitted during the latter half of the insured's 60th year of age (Modified Life at Age 65 - insurance age 61), or during the latter half of the insured's 69th year of age (Modified Life at Age 70 - insurance age 70), and there is evidence that the application was belatedly submitted because the insured found our instructions confusing, the • 3.

N29-1, Part II  
Advance Manual Change No. 13-84

application will be accepted and the policy will be antedated to the latest possible effective date. Under the USGLI program, it is not permissible to antedate a conversion to an age younger than 65 when converting to the Special Endowment at Age 96 plan.

5. Page 36-4, delete paragraph 36.05 and substitute the following:

36.05 EFFECTIVE DATE OF CHANGE

a. The effective date of change for past and current conversions should be determined as follows:

(1) Use the premium due date of the premium paying month in which the request for conversion was submitted, governed by the postmark date if mailed, by the earliest VA receiving stamp date if otherwise delivered, or by the date of execution if received through military channels, if:

- - (a) The premium for that month has not been paid.
  - (b) The insured requests that the effective date of the permanent plan be established as of the premium due date of the month in which the application is submitted, even though the premium for that month has been paid. In this event, allow credit for the unearned premium, if any, on the amount of insurance converted.
  - (c) To save age.
    - (2) Use the premium due date of the next premium paying month, unless otherwise requested by the insured, if:
      - (a) The premium for the month in which the request is submitted has been paid.
      - (b) The method of payment is by allotment or DFB.
      - (c) Premiums on the term contract are being waived under disability waiver provisions.

b.If the insured requests that the permanent plan be effective as of a premium due date which is later than the next premium due date, the effective date of change should be the premium due date indicated by the insured, provided the effective date requested is not later than the 12th premium due • 4.

M29-1, Part II  
Advance Manual Change No. 13-84

after the postmark date of the application, and all other requirements are met. If the effective date is to be later than the fourth premium due date after the postmark date, the application will be held pending until within 120 days of the effective date.

c. If the insured requests a current effective date, but also specifies a month in which allotment or DFB is to be established or increased, the new allotment or DFB will be established as of the date requested. The effective date and effective date of change will be the month following the month in which the allotment or DFB is established, in order to keep the premium payments one month in advance. This procedure will be followed even if it results in the establishment of a future effective date. For example, if the application was postmarked 2-21-84, and the allotment or DFB was to be established or increased as of April 1984, the conversion would be made effective May 1984. If, however, the insured is converting to an endowment plan, and the requested allotment or DFB effective month would cause the effective date of the policy to be more than 31 days from the date of signature, the effective date of conversion will be determined by the postmark date of the application.

6. Page 36-5, delete subparagraph 36.06a and substitute the following:

a. Generally, when an insured specifies a conversion date and it can be reasonably interpreted that he/she desires a current conversion, rather than an antedated or future conversion, the application will be processed as a current conversion and given an effective date consistent with the premium status of the term insurance. Further clarification will not be requested of the insured. The following are examples of such cases, using the first of the month as the due date:

|     |                          |          |
|-----|--------------------------|----------|
| (1) | Application Mailed       | 11-14-84 |
|     | Requested Effective Date | 12- 1-84 |
|     | Account Paid Through     | 10-31-84 |

The conversion should be granted with an effective date of 11-1-84, since the 11-1-84 premium has not been paid.

|     |                          |          |
|-----|--------------------------|----------|
| (2) | Application Mailed       | 11-28-84 |
|     | Requested Effective Date | 10- 1-84 |
|     | Account Paid Through     | 9-30-84  |

• 5.

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Advance Manual Change No. 13-84

The conversion should be granted with an effective date of 11-1-84, and the remittance accompanying the application used to pay the term premium due 10-1-84. If no remittance is received and there is insufficient credit to pay the 10-1-84 premium, the application will be disapproved.

|     |                          |          |
|-----|--------------------------|----------|
| (3) | Application Mailed       | 11-14-84 |
|     | Requested Effective Date | 12- 1-84 |
|     | Account Paid Through     | 11-30-84 |

Normally, this conversion would be effective as of 12-1-84. However, if the insurable age would be lower as of 11-1-84, the effective date would be 11-1-84.

7. Page 36-6, delete subparagraph 36.O7b and c, and insert the following:

b. If the effective date selected is later than the fourth premium due after the postmark date, but prior to the thirteenth, the application will be held pending until within 120 days of the effective date.

c. If the effective date selected for conversion of a Limited Convertible Term policy (W) is on or after the first renewal date after the insured's 50th birthday, the policy should be converted as of the day after the final day of term coverage.

d. If the effective date selected is later than the twelfth premium due date after the postmark date, the application will be disapproved and the insured will be advised to reapply in the month before the requested effective date.

C. New or Revised  
Insurance Forms: None

OBEY. CAREY

Assistant Director for Insurance

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M29-1, Part II

Advance Manual Change No. 11-83

December 6, 1983

Chapter 36 - Conversions

- A. Change: M29-1, Part H, Chapter 36. This advance manual change is issued in conjunction with advance manual changes 7-83 in M29-1, Part I and 12-83 in M29-1, Part II. It establishes new procedures for developing and processing conversions of Five-Year Limited Convertible Term insurance.
- B. Procedure: Page 36-i add: 36.20 Five-Year Limited Convertible Term Insurance - Special Provisions . . . 36-13.

Page 36-1, paragraph 36.01, add the following sentence to sub- paragraph f: Refer to paragraph 36.20 for special provisions concerning conversions of Five-Year Limited Convertible Term insurance. Eliminate subparagraph 36.01g and redesignate subparagraphs 36.01h, i, j and k as g, h, i and j.

Page 36-13, add the following paragraph:

36.20 Five-Year Limited Convertible Term Insurance - Special Provisions

a. Title 38 U.S.C. 723(b) provides that Five-Year Limited Convertible Term insurance ("W" prefix) may not be renewed after the insured's 50th birthday. The insured is notified one year prior to the termination date that he or she must convert to one or more available permanent plans before the expiration of the final term period after his or her 50th birthday if he or she wishes to retain insurance. A second notice is sent 90 days prior to the termination date of the Five-Year Limited Convertible Term insurance.

b. Due to the special provisions governing renewal of Five-Year Limited Convertible Term insurance, the conversion application must be carefully reviewed by the Policy Service Technician to determine whether it is timely filed. If it is determined that the application was made within 61 days from the termination date of the Five-Year Limited Convertible Term insurance, it will be considered timely filed and processed without special development. The application date will be the postmark date if the application is mailed, the earliest VA receiving stamp date if it is otherwise delivered, or the date of execution if it is received through military channels.

2.

c. If the Policy Service Technician determines that the conversion application was made more than 61 days from the termination date, the insurance records will be obtained and forwarded to the Chief,

Insurance Operations Division (Philadelphia) or the Chief, Insurance Division (St. Paul), as appropriate, for review. If the conversion was applied for within 180 days from the termination date, a decision to extend the conversion period may be made by the Division Chief based on the evidence of record. If the conversion application was made more than 180 days after the termination date, and the Division Chief determines that an extension of the conversion period may be justified, the insurance records should be forwarded to the Chief, Insurance Program Management Division, for consideration. A decision to extend the conversion period may be made when the evidence of record indicates any of the following factors:

- (1) A recent B&O designation or correspondence indicating that the insured intended to retain insurance,
- (2) Misinformation or negligence by the VA,
- (3) Conversion application filed in other records (e.g. military records),
- (4) Continuation of term insurance premium payments beyond the termination date,
- (5) Any other factor which under principles of equity and good conscience would cause an extension of the application period.

d. Since premium payments beyond the expiry date of the Five-Year Limited Convertible Term insurance may be considered sufficient reason to extend the conversion period, the Policy Service Technician should be careful to refer all such cases to the Division Chief, regardless of whether the insured has filed a conversion application.

e. If a decision is made to extend the conversion period, the Policy Service Technician will notify the insured that he or she has 31 days to complete and return a VA Form 29-358, Application for Conversion, unless a conversion application has already been filed. The Policy Service Technician will also notify the insured that he or she must remit a payment sufficient to cover premiums from the effective date of the new policy (the day after the expiry date of the Five-Year Limited Convertible Term policy) through the current premium month. Any premiums paid and accepted after the expiry of the Five-Year Limited Convertible Term policy will be applied toward the new policy to determine the amount of premiums due.

3.

f. If a decision is made to disapprove the conversion application, the Policy Service Technician will notify the insured in writing that the application has been disapproved and that any evidence which would support a different decision should be submitted for consideration. Any unearned premiums retained by the VA will be refunded to the insured at this time.

g. If premium payments for the Five-Year Limited Convertible Term insurance are being waived due to the insured 75 total disability on the final termination date, the insurance will not be terminated for failure to file a timely conversion application. The Policy Service Technician will review the records to determine whether the conversion applications were sent to the insured. If the notifications were sent and no reply has been received, the Five-Year Limited Convertible Term insurance will be converted to Ordinary Life and no further action will be taken. If the 90 day notification was not sent, the policy will be converted to Ordinary Life, and the insured will be notified of our action and allowed 31 days to advise us if he or she wants conversion to one or more of the other available permanent plans.

C. New or Revised  
Insurance Forms:                      None

ROBERT W. CAREY

Assistant Director for Insurance

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M29-I, Part II  
Change 16

## CHAPTER 36. CONVERSIONS

### 36.01 GENERAL

- a. The policy, rules and requirements for converting term insurance are included in M29-I, part I, chapter 18.
- b. The Policy Service technician will complete all actions when processing an application for conversion, including the preparation of input documents.
- c. VA Form 29-358, Application for Conversion (NSLI-USGLI), should be used by NSLI (National Service Life Insurance) and USGLI (United States Government Life Insurance) applicants.
- d. Application for Exchange to Special Endowment at Age 96 Plan, should be used by USGLI applicants age 65 and over when applying for the Special Endowment at Age 96 plan of insurance.
- e. An informal request for conversion clearly specifying the plan desired and amount of insurance to be converted will be considered as an acceptable application.
- f. The 5-year level premium term and 5-year limited convertible term insurance under premium-paying conditions, may be converted, wholly or in part, in multiples of \$500, but not less than \$ 1,000 to the various plans of insurance available under the same insurance program.
- g. Insurance issued under 38 U.S.C. 621 (RS) which has been exchanged for a limited convertible term policy (W) cannot be renewed after the policyholder's 50th birthday. If continuous insurance protection is desired, the contract must be converted before the end of the term period which ends after the 50th birthday. However, if the premiums for the W term policy are being waived under 38 U.S.C. 712 on the final termination date, the insurance will not be terminated. If conversion notifications were sent to the

insured and no reply is received, the W term policy will be automatically converted to an ordinary life policy.

h. Two or more term contracts bearing different premium due dates, or different effective dates but the same premium due date, may be consolidated and converted as of the premium due date of the contract bearing the latest effective date. Such consolidated contract may be antedated in the same manner as a single contract, except that the effective date may not be before the effective date of the term contract bearing the latest effective date.

i. When two or more term policies with dividend credits and/or paid-up additions are consolidated and converted, the dividend credits and/or paid-up additions will also be combined and retained as part of the converted policy.

j. When a policy with paid-up additions is split in two or more policies, the insured will be advised that all or part of the paid-up addition may be allocated to either contract, if the amount of paid-up additions to be split is involved in the conversion.

k. When a term policy with paid-up additions is converted to an endowment plan, the paid-up life additions may be retained, without any adjustment. The reserve of the paid-up life additions may be applied to purchase paid-up endowment additions based on the basic endowment policy and the attained age of the insured, or purchase the same amount of paid-up endowment additions as there were paid-up life additions with the insured paying the difference in reserve.

### **36.02 INITIAL PROCESSING OF APPLICATION**

a. When a VA Form 29-358, or an informal request for conversion is received in the Policy Service Section, the Policy Service technician will review the application to determine if all requirements have been met.

b. Generally, a VA Form 29-5886b, Insurance Record Printout, is received with the application; if it is not, it will be requested. The Policy Service technician will compare the identifying information such as name, address and insurance

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**May 12, 1980**

numbers with the VA Form 29-5886b. Also, if the insured has more than one policy, flu application will be checked as to which policy the insured desires to convert.

c. A conversion application is acceptable provided that:

(1) The application is [postmarked] within 61 days of the next premium due date. (Lapsed contracts cannot be converted until reinstatement requirements are met.)

(2) The postmark date of the application or the date it was otherwise delivered to the VA is within 31 days from the date the application was signed.

(3) The application is unsigned and is not for an endowment plan.

(4) All other requirements have been met, but the insured failed to submit the initial premium.

(5) When the how paid code is 7 (In-Service Waiver of Premiums) on the RPO and there is no break in the service dates.

d. If the unsigned application is for an endowment plan and all other requirements have been met, the insured will be sent a supplemental application.

e. If the application was postmarked or delivered to the VA more than 31 days after the date of signature, the application will be approved.

f. Whenever it is necessary to disapprove an application or request a supplemental, the insured will be advised by a dictated or automatic typewriter letter of the action taken. If the application has been disapproved, the insured will be furnished new requirements. A VA Form 29-358 will also be enclosed. If a supplemental application is needed, a photocopy of the original application will be made and enclosed with the letter. The photocopy will be noted SUPPLEMENTAL (in red) W in the upper right corner. The signature block will also be circled.

*NOTE: If the unsigned application has a beneficiary and option designation, the insured should be advised that unless the photocopy is signed, dated and returned, the beneficiary and option designation is not acceptable. Also, it should be noted that whenever an application is received indicating a beneficiary and option designation, it will be reviewed for acceptability as outlined in paragraph 15.04 of this manual.*

g. After a conversion application has been reviewed for the items listed in subparagraph c above, the following guidelines will be used in determining if the insured is eligible for the amount and plan of insurance applied for:

(1) Determine the amount of insurance to be converted [as follows:

(a) If the insured shows the full amount of the policy to be converted in item 6A and leaves the "Amount of Term Insurance To Be Continued" (item 6D) blank, convert the full amount.

(b) If the insured shows the full amount of the policy to be converted and inserts an amount in "Amount of Term Insurance To Be Continued" (item 6D), convert the full amount and disregard the amount to be retained.

(c) If the insured indicates a desire to convert an amount less than the full amount of the policy and leaves the "Amount of Term Insurance To Be Continued" (item 6D) blank, convert the amount shown and retain the balance.

(d) If the insured indicates a desire to convert less than the full amount of the policy and shows an amount equal to the balance of the policy in the "Amount of Term Insurance To Be Continued" (item 6D), convert the amount shown and retain the balance.

(e) If the insured indicates a desire to convert an amount less than the full amount of the term policy and shows an

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amount which, when added to the amount being converted, is less than the full amount of the policy in "Amount of Term Insurance To Be Continued" (item 6D), convert and retain the amount shown on the application.

(f) If the insured indicates a desire to convert an amount less than the full amount of the term policy and shows an amount which, when added to the amount being converted, is greater than the full amount of the policy in "Amount of Term Insurance To Be Continued" (item 6D), convert and retain up to the full amount of the policy. Advise the insured that the amount to be converted and continued cannot exceed the face amount of the policy.]

(2) If a premium for the converted policy was not received and there is insufficient reserve credit and/or premium overage available, the conversion will be processed. The effective date of conversion and next month due will be the same.

(3) If the insured is totally disabled and requesting an endowment plan and the policy prefix is other than K, an endowment plan is not permitted.

(4) Conversion to special endowment at age 96 for K policyholders is not permitted unless the insured has reached his or her 65th birthday.

CHAPTER 36. CONVERSIONS

A. Change: M29-1, Part 11, Chapter 36. This change is issued to correct misinformation contained in paragraph 36.02h in regard to premium rates on V and H policies at ages 60 through 65 being identical for Ordinary Life and 30-Payment Life plans.

3. Procedure: Page 36-3, delete paragraph 36.02h and substitute the following:

h. The premium rates for V and H policies age 60, 61, 63, 64 and 65 are identical for Ordinary Life and 30-Payment Life. The premium rate at age 62 for a 30-Payment Life V and H policy is one cent per/thousand per/month greater than an Ordinary Life age 62 V and H policy. Therefore, the 30-Payment Life policy will be issued in lieu of the Ordinary Life plan for ages 60 through 65. An insured whose attained age is 73 through 75 will be issued a 20-Payment Life policy in lieu of the Ordinary Life policy, since the premium rates are the same. The insured will be advised that the plan substitution was made in his or her best interest.

C. New or Revised  
Insurance Forms: None

PAUL F. KOONS  
Assistant Director for Insurance

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(5) if the insured selects an endowment plan, the health question must be answered. If the insured answered YES or there is evidence of disability in the folder, the application will be referred to the Medical Determination Section for a decision as to its acceptability. If the question is unanswered, a FL 29-615 will be released requesting that part II of the form letter be completed. Upon return of the FL 29-615, it will be referred to the Medical Determination Section for a decision as to its acceptability. The current effective date cannot be more than 31 days from the date the application was signed.

h. Since the premiums on V and H policies at ages 60 through 65 are identical for ordinary life and 30-payment life, the 30-payment life policy will be issued in lieu of the ordinary life plan. This is also true for an insured whose attained ages are 73 through 75 in which case the 20-payment life policy will be substituted for the ordinary life plan. The insured will be advised that the substitution was made in his or her best interests since the premiums on the limited life plan and the ordinary life plan are the same.

### 36.03 RESERVE

a. On an ante dated conversion, the reserve or difference in reserve, may be paid by a direct payment and/or a loan on the new policy, if the new policy is antedated 1 or more years. The amount of reserve or difference in reserve must be paid in full. No shortages will be allowed.

b. Term reserve credit will not be allowed under the following conditions:

- (1) Term policies on which premiums are being waived under 38 U.S.C. 724.
- (2) Exchange to an endowment at age 96 (USGLI).

c. Usually the reserve on the term policy is used as a credit toward the initial premium for the new policy. However, if it is not administratively possible to apply the credit because premiums are being waived (38 U.S.C. 712 or 748) or paid by allotment, DFB (deduction from benefits), or payroll deduction, the reserve credit (\$1 or more) will be refunded to the insured. If reserve is less than \$1 hold as a premium credit.

d. The amount of fractional values reserve will be determined from the applicable tables in the following manuals:

- (1) K - M294, part II.
- (2) V or H - M29-2, part 111A.
- (3) RS or RH - M90-6, parts I and II.
- (4) W - M29-8, part III.

### 36.04 EFFECTIVE DATE

a. The effective date of the permanent plan selected may be established as any one of the following:

(1) **Current Effective Date-is** the premium due date of the premium month in which the application was submitted, or the next following due date, or is the month preceding the month in which the application was submitted provided the premium for that month was not paid.

(2) **Future Effective Date-is** the date any future premium becomes due after the next following due date. This date must be no later than the fourth premium due date following the date of application. However, when conversion is to an endowment plan the effective date cannot be more than 31 days from the date of signature.

(3) **Intermediate Effective Date-is** the date any past premium became due within any term period. Under the NSLI program it is not permissible to antedate to a younger age in order to qualify for a modified life plan of

insurance. However, if an application is submitted during the latter half of the insured's 60th year of age (modified life at age 65-insurance age 61), or during the latter half of the insured's 69th year of age (modified life at age 70-insurance age 70), and there is evidence that the application was belatedly submitted because the insured considered our instructions confusing, the application will be accepted and the policy will be antedated to the latest possible effective date. Under the USGLI program, it is not permissible to antedate a conversion to an age younger than 65 when converting to the special endowment at age 96.

(4) **Original Effective Date**-is the effective date of the original term contract.

(5) **Effective Date Not Indicated**-is the current effective date when all of the requirements have been met.

### **36.05 EFFECTIVE DATE OF CHANGE**

a. The effective date of change for conversion will always be the premium due date and will be determined as follows:

(1) Use the premium due date of the premium paying (not calendar) month in which request for conversion was submitted, governed by the postmark date if mailed, by the earliest VA receiving stamp date if otherwise delivered, or by the date of execution if received through military channels if:

(a) The premium for that month has not been paid, or,

(b) The insured requests that the effective date of the permanent plan be established as of the premium due date of the month in which the application is submitted, even though the premium for that month has been paid. In this event, allow credit for the unearned premium, if any, on the amount of insurance converted.

b. Use the premium due date of the next premium paying (not calendar) month, unless otherwise requested by the insured if:

w

(1) The premium for the month in which the request is submitted has been paid.

(2) The method of payment is by allotment, DFB, or by payroll deduction.

(3) Premiums on the term contract are being waived under the inservice or disability waiver provisions.

c. Use the premium due date indicated by the insured, if the insured requests that the permanent plan be effective as of a premium due date which is later than the next premium due date, provided the effective date requested is not later than the fourth premium due after the postmark date of the application, and all other requirements are met.

d. When an application for conversion is received and the insured indicates a current effective date, and shows the month the allotment or DFB is to be established, the effective date of conversion will be the month following the month in which the allotment or DFB is established (or in some cases increased) in order to keep the premium payments 1 month in advance.

EXAMPLE: Application for conversion PMD 2-21-76, allotment or DFB to be established or increased effective April 1976, the conversion will be made effective May 1976.

e. When an endowment plan is selected and premiums are being paid by allotment or deduction from benefit payments and the MONTH ALLOTMENT EFFECTIVE will cause the effective date of the policy to be more than 31 days from the date of signature, the effective date of conversion will be determined by the postmark date of the application.

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**36.06 CURRENT EFFECTIVE DATE**

a. Generally, when an insured requests a date of conversion that can be interpreted as a current effective date, as opposed to an antedation or a future date, the application will be processed as a CURRENT DATE conversion without requesting any further clarification from the insured. The following are examples of the types of cases involved using the first of the month as the due date:

- (1) Application mailed 11-14-75
- Requested Effective Date 10-01-75
- Account Paid Through 10-31-75

The conversion may be granted with an effective date of 11-01-75 provided the insurable age does not change.

- (2) Application mailed 11-14-75
- Requested Effective Date 12-01-75
- Account Paid Through 10-31-75

The conversion may be granted with an effective date of 11-01-75.

- (3) Application mailed 11-28-75
- Requested Effective Date 11-01-75
- Account Paid Through 09-30-75

Provided the conversion would not result in the issuance of a lapsed policy, the conversion may be granted effective 10-01-75.

*NOTE: The provisions of VA Regulations 3018 for USGLI and 3407.2 for NSLI provide for acceptance of delayed underwriting applications (within 61 days of the due date) when accompanied by a premium payment.*

- (4) Application Mailed 11-14-75
- Requested Effective Date 12-01-75
- Account Paid Through 11-30-75

Normally, this conversion would be effective as of 12-01-75. However, if the insurable age would be younger as of 11-01-75, the effective date will be 11-01-75.

b. In all of the above instances, the insured will be advised of the reason for changing the requested effective date. He or she will also be advised that if our action is not agreeable, further requirements will be sent upon request.

c. Be aware at **all** times of the possibility of granting an effective date to save age of the insured, providing it does not become an antedated conversion.

### **36.07 FUTURE EFFECTIVE DATE**

a. When the insured requests a conversion to be effective as of a future date, process the application if:

(1) Premiums are paid through the premium month immediately preceding the requested effective date.

(2) The requested effective date is not later than the fourth premium due date after the postmark date of the application.

(3) Monetary requirements have been met.

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b. If the effective date selected is later than the fourth premium due date after the postmark date, the application will be disapproved and the insured will be advised to reapply in the month before a requested effective date.

c. When granting a future effective date, be cognizant of insurance originally issued with an RS prefix which was exchanged for a Limited Convertible Term policy (W). This plan of insurance cannot be renewed after the insured's 50th birthday. The effective date of conversion cannot be beyond the renewal date.

### **36.08 INSURED RATED MENTALLY INCOMPETENT**

a. When the insurance records indicate the insured is incompetent and a fiduciary has not been appointed, conversion may be effected provided the insured possessed sufficient mental capacity to understand the nature of his or her act. To establish the insured's ability to make such a contract change, the application and insurance folder will be forwarded to the Insurance Claims Section for a determination.

b. When the insurance records indicate the insured is incompetent and a fiduciary has been appointed, application may be made by the fiduciary, with the approval of the appropriate court, if required by State laws. It is not necessary for a fiduciary to obtain court approval if the insured has been totally disabled for 20 years or **more**.

c. When a fiduciary has been appointed, and the insured, during a period of lucidity, signs an application, the fiduciary must also sign the application, and if required, secure approval of the court which made the appointment. A letter, accompanied by the application, will be sent to the fiduciary explaining the circumstances and requesting his or her signature. It will not be necessary to determine the mental capacity of the insured.

### **36.09 CLERICAL PROCESSING**

a. The following types of conversion actions cannot be automatically processed by the computer system, and therefore, require the clerical preparation of input to update the master record:

(1) Consolidation and conversion when contract being deleted has pending transactions or optional segments other than TDIP.

(2) Antedated reduction and conversion.

(3) Term policy is being split and converted to three or more permanent plans or there are three or more policies on tape.

(4) Conversion of USGLI (K) accounts.

(5) Dividend credit is being applied to pay premiums and/or premiums and difference in reserve to antedated policy.

(6) Two or more pending remittances required to validate conversion.

(7) Amount of insurance not in multiples of \$500.

(8) Single remittance to be applied to two or more policies.

(9) Policy(ies) being converted has a \$5 TDIP age 60 rider; \$10 TDIP age 60 rider and TDIP age at conversion is 55 or over; \$10 TDIP age 65 rider and TDIP age at conversion is 61 years or over.

(10) Split conversion-dividend credit balance on term policy.

(II) Term policy when 724 waiver is terminated during current term period.

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b. Clerical preparation of input is required to change or update each segment of the master record affected by the conversion action. Detailed coding instruction of input documents are outlined in MP-6, part II, Supplement Nos. 2.1 and 2.2. VA Form 29-5886b, will be coded as the primary input document. An OCR (optical character recognition) document will be completed for those transactions that cannot be coded on the RPO. Key punch input cards will be used only in those instances when no OCR document has been provided.

c. The following input documents and forms will be processed:

(1) VA Form 29-328, Underwriting Worksheet, for filing in the insurance folder.

(2) VA Form 29-8522, Policy, transaction type 022, to effect the policy changes.

(3) VA Form 29-8523, Premium/TDIP, transaction type 053, to change premium status, the how paid code and the mode in the master record.

*NOTE: VA Form 29-8522, and VA Form 29-8523 are related inputs and must be inserted consecutively.*

(4) VA Form 29-8527, Accounting Control, transaction type 089, to effect miscellaneous accounting action.

(5) VA Form 29-8526, Pending Transaction, transaction type 098, to delete the pending transactions and/or diary messages.

(6) VA Form 29-8530, Life Miscellaneous, transaction type 000. The policy issue code entered on this document will cause the system to automatically issue the appropriate policy and/or status. It is important to control the sequence of this document by completing the sort field, to assure that it is processed after all other changes have been completed.

d. In addition to the above inputs, the following forms, if applicable, will also be prepared:

(1) VA Form 29-8528, Paid Dividend/Dividend History, to adjust dividends.

(2) VA Form 29-5934, Change of Address for Insurance Purpose, if address change is required.

(3) VA Form 29-8525, Dividend/Loan/Lien, transaction type 004 or 084, to insert or make changes to the dividend credit or adjust paid-up additions, transaction type 005 or 085 to insert or make changes to the loan segment and/or 006 or 086 to insert or make changes to the lien segment.

*NOTE: Inserting or changing the above segments will require, as applicable, a VA Form 294459, Dividend Deposit/Credit Statement; VA Form 29-8668, Statement of Paid-Up Additions, or a VA Form 29-1468b, Notice of Approval of Policy Loan, and/or a lien letter.*

(4) VA Form 29-8531, TDIP, transaction type 007 or 027 to insert or change date in the TDIP segment in the master record. When transaction types 007 and 027 are used, the control sort field should be completed to assure proper sequence of inputs being processed.

(5) If the case is being processed in the VA Center, St. Paul and subsequent premiums are to be deducted from VA benefit payments, allotment from service department active, or retirement pay, a VA Form 29-8522, transaction type 082 with a 951 policy callup code will be prepared to assure that the records will be transferred, to the VA Center, Philadelphia.

(6) When premiums are being paid by deduction from service pay or VA benefit payments, action will be taken to adjust the deduction in accordance with M29-1, part II, chapters 29 and 30.

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### **36.10 PROCESSING BY COMPUTER SYSTEM**

a. The computer system will automatically accomplish the following actions upon acceptance of a VA Form 29-8520, Underwriting, or VA Form 29-5886b coded with a transaction type 000.

*NOTE: Instructions for coding of input with transaction type 000 are outlined in MP-6, part II, supplement Nos. 1.2 and 2. 2.*

(1) Update policy, premium, TDIP and other optional segments of the insurance master record.

(2) Apply initial payment and any credit(s) identified on the input.

(3) Release policy for new plan of insurance and TDIP rider if involved.

- (4) Refund or apply reserve credit from the term policy in accordance with disposition code on input.
- (5) Delete all 970 conversion diaries.
- (6) Authorize dividend(s) payable on term policy.
- (7) Release status on direct pay accounts only.
- (8) Establish lien for cash dividend overpayment and generate an RPO with reason code 008/968 for clerical processing.
- (9) Generate an RPO with the message DIVADJ when a dividend adjustment is required because the option is other than cash.
- (10) Generate an RPO with reason code UWY on a split conversion when the original term policy has a paid-up additions segment.

b. When premiums are being paid by allotment or DFB, the system will automatically accomplish the following actions in addition to those normally involved in the processing of a conversion on direct pay accounts:

(1) Prepare and release a VA Form 29-1588, Request for Allotment Deduction Change, or VA Form 29-5926, Request for DFB Action, to adjust the deduction to provide the amount needed to pay the new premium under the following conditions:

- (a) Single policy case.
  - (b) The conversion is for full amount.
  - (c) The present deduction equals the term premium.
  - (d) The present deduction is paying currently or on a month-in-advance **basis**.
  - (e) The action type is other than 20.
- (2) Insert a pending diary message showing the month, year and amount of anticipated discontinuance.

*NOTE: If the system fails to release either a VA Form 29-1588 or VA Form 29-5926 after processing a conversion, an RPO with reason code 118 will be generated for clerical preparation of the appropriate form.*

c. When a conversion is being processed on a direct pay account and the insured desires that future premiums are to be paid by allotment or DFB, the Policy Service technician will prepare and release a VA Form 29-1588 or

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M29-1, Part II  
Advance Manual Change No. 7-84

July 20, 1984

- A. Change: M29-1, Part II, Chapter 3. This Advance Manual Change is issued in conjunction with Advance Manual Change 6-84 in MP-6, Part II, Supplement No. 1.4, which introduces RPO reason code 966. An RPO with reason code 966 is generated when the system processes a conversion on a payroll deduction or direct pay account, but does not release status because there are insufficient moneys to pay the initial premium.
- B. Procedure: Page 36-9, add the following as subparagraph 36. 10f:
  - f. In those instances when the system processes a conversion and generates an RPO with reason code 966, release status notice and initial bill clerically.
- C. New or Revised  
Insurance Forms: None

- ROBERT W. CAREY  
Assistant Director for Insurance

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VA Form 29-5926, and a VA Form 29-547, Notice-Important Information About Your Government Life Insurance, or a VA Form 29-5707, Acknowledgment Request for Deductions from Benefit Payments. A 953/978 diary message will be inserted.

d. After all action has been taken to process the application either automatically or clerically, the application will be stamped APPROVED dated and initialed by the Policy Service technician, and stamped **READY FOR FILE**. The application will be forwarded for filing in the insurance folder.

e. In those instances when the system processes a conversion and generates an **RPO** with reason codes 965/967, a VA Form 29-547 will be prepared to notify the insured of approval of the conversion.

**36.11 TOTAL DISABILITY WAIVER-PENDING**

When an application for conversion is received and the RPO shows a pending disability waiver diary, [forward the application and insurance folder to Insurance Claims Section with a request as to the status of the claim for waiver and if a decision can be made immediately. If a decision cannot be made, the application for conversion will be processed. However, the

conversion action `will be suspended until a decision is reached if conversion to **an** endowment policy is requested.] When the waiver decision is completed, the case will be returned to the Policy Service Section for processing of the [application for] conversion.

### **36.12 TOTAL DISABILITY WAIVER IN EFFECT**

a. NSLI term insurance on which premiums are being waived under 38 U.S.C. 712 may **be** converted to any of the permanent plans of insurance available except the endowment plans.

b. USGLI term insurance on which premiums are being waived (if insured is not **T/P** (total and permanent)) under 38 U.S.C. 748 may be converted to any of the permanent plans, including endowment plans.

c. When VA Form 29-358 for conversion is received and premiums on the account are waived, the applicant will be advised by letter of the exact premium for the plan selected unless the correct premium is entered in the payment block on the application.

### **36.13 TDIP PREMIUM RATES**

a. When an NSLI term policy with TDIP age 60-\$5 or \$10 rider is converted and flu rider is to be continued on the **b** permanent plan, the premium rate for the rider is determined by the permanent plan policy selected and the insurance age as of the date of change. When the insurance age at the time of conversion is 55 or older, the TDIP age remains the same.

b. When an NSLI term policy `with TDIP age 65 rider is converted and the rider is to be continued on the permanent plan Policy and the rider was issued or last renewed at the rate for age 54 or under, the conversion will be processed in the usual way; that is, the premium for the rider being continued is the rate for a new issue of the permanent plan TDIP age 65 rider at the insured's attained age (TDIP age) on the date the conversion is effected.

c. When the NSLI term age 65 rider was last renewed at age 55 or over, and TDIP premiums on the permanent plan rider are scheduled for payment to the insured's 65th birthday (TDIP cease code 3), the rate is the same as that heretofore paid on the term rider.

d. When the NSLI term `with TDIP age 65 rider was last renewed at age 55 or over, and TDIP premiums on the permanent plan rider are scheduled for payment to age 64 or under (TDIP cease code 2), the rate will be furnished by the Actuarial Staff (310/299), VA center, Philadelphia.

e. When USGLI (K) term insurance `with TDIP is converted and the **TDIP** is continued on the permanent plan policy, the term TDIP will not be terminated. If converted to ordinary life, the original TDIP effective date and premium will b- continued. On other available permanent plans, the original effective date will be continued but **a** new premium rate will be payable.

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f. Definition of Disability Rider Codes:

- (1) TDIP cease code 1-Age 60 rider-rate code 1=Age 60-\$5 rider.
- (2) TDIP cease code 2-Age 65 rider-rate code 2=Age 60 or 65-\$10 rider.
- (3) TDIP cease code 3-Age 65 rider-rate code 3=Age 60 or 65-\$10 rider.

### 36.14 CONVERSION WITH TDIP RIDER

a. Applications for conversion of a term policy with a TDIP rider attached should indicate clearly whether the TDIP is to be continued on the converted policy. If no provision is made for converting the TDIP and the only evidence of record is a blank space or the insertion of dashes, the insured will be asked to clarify his or her intent.

b. The Policy Service technician will release a letter to the insured explaining that if the rider is not continued at the time of conversion, an application will not be accepted on or after the insured's 55th birthday. The insured should also be advised that if no reply is received within 15 days of the date of our letter, the TDIP rider will not be continued on the converted policy.

c. The Policy Service technician will delete any 970 diary from the master record and insert a 30-day diary with the message 970 CONV.

d. If the insured does not reply within the 30-day period, the conversion will be processed without the TDIP rider.

e. When an insured indicates continuance of the TDIP rider on the converted policy(ies), the Policy Service technician will process the application as follows:

(1) If the TDIP premium rate quoted by the insured is incorrect or the rate is not shown, the conversion application will be processed.

(2) The insured will be advised by letter of the correct TDIP and insurance premium rates for the new policy [only if the rider being continued is a \$5 or \$10 age 60 rider and TDIP age at conversion is 55 or over or if it is a \$10 TDIP age 65 rider and TDIP age at conversion is 61 years or over.] If the rider being continued is a \$5 or \$10 age 60 rider the insured should also be advised of the availability of the \$10 age 65 rider.

(3) If the insured objects to the increase in the TDIP premium rate and requests discontinuance of the rider, it will be canceled as of the effective date of conversion. Any TDIP premium payments submitted after the date of conversion will be refunded.

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### 36.15 CONVERSION DISAPPROVED-TERM INSURANCE TO BE CONTINUED

When it is necessary to disapprove an application for conversion, and premiums have been tendered for the permanent plan, take action to continue the term insurance in force as follows:

#### a. Premiums Paid Direct

(1) When an application for conversion of the full amount of an insurance contract is disapproved, or an application for conversion of part of an insurance contract on which the insured indicated a desire to continue the remaining amount of term insurance in force is disapproved, apply the money tendered as premium for the permanent plan to pay premiums on the term insurance for as many months as possible.

(2) When an application for conversion of a reduced amount of insurance is disapproved, and the insured does not desire to continue the remaining amount of term insurance equal to the amount indicated in the application for conversion, apply the money tendered as premium for the permanent plan to pay premium on the reduced amount of term insurance for as many months as possible.

#### b. Premiums Paid by Allotment or DFB

(1) When an application for conversion of the full amount or reduced amount is disapproved, the insured will be advised of the reason for disapproval of the application and provided with status of the term policy and an application for conversion in the event he or she should desire to reapply.

(2) When an acceptable beneficiary designation appears on the application, it will be processed and the insured will be requested to confirm the designation.

### 36.16 CHANGE OR WITHDRAWAL OF APPLICATION

a. When a properly signed request for withdrawal, or for a change in plan or amount, other than stated in the original application for conversion, is received in the VA, and bears a postmark date before the EFFECTIVE DATE OF CHANGE, or there is evidence that such request was placed in military channels before the EFFECTIVE DATE OF CHANGE, the insured's request will be granted. Also, when a request for a permissible plan or amount, other than that stated on the application, is submitted within 60 calendar days from the date of conversion, it will be granted. After 60 calendar days from the effective date of conversion, any change to the contract will be processed as a change of plan. The insured **will** be informed of the necessary additional requirements to change the insurance to the amount and plan desired.

b. When request is acceptable for a change in the plan and/or amount of the original application, take action as follows:

(1) If the original application was not processed, effect conversion for the plan and amount indicated in the latest request.

(2) If the original application was processed, cancel the conversion, restore the term insurance, and effect conversion for the plan and amount indicated in the latest request.

(3) Advise insured of the action taken.

### 36.17 REINSTATEMENT AND CONVERSION

a. If insurance is in a lapsed status, reinstatement requirements must be met before the conversion may be effected.

b. Reinstatement and conversion of a term contract, wholly or in part, may be processed in one operation on one VA Form 29-328, Underwriting Worksheet. When reinstatement and conversion are effected at the same

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time, the conversion may be made in any manner prescribed for conversions, that is, the permanent plan contract may be issued with a current effective date, antedated to the effective date of the original term contract, or an intermediate premium due date. When a reduced amount of insurance is reinstated and converted, the EFFECTIVE DATE OF CHANGE for the reduction will be the due date of the premium in default (date of lapse).

c. When an applicant for reinstatement and conversion requests that the permanent plan contract become effective as of a future date but remits an amount sufficient to pay only the term premium for the month of lapse and the first premium on the permanent plan, the application for conversion will be disapproved. Process the application for reinstatement and advise the insured accordingly. Enclose a new VA Form 29-358.

d. When reinstatement and conversion are to be effected at the same time, it will not be necessary to prepare input to show the reinstatement of the term contract. VA Form 29-5895a or VA Form 29-8526 will be prepared to insert any necessary pending dividend due on the reinstated term contract. Input, as necessary, will be prepared to change or insert the master record.

**36.18 INADVERTENT CONVERSION OF NSLI TO AN ENDOWMENT PLAN WHILE INSURED IS TOTALLY DISABLED**

If it is found that term insurance was converted to an endowment plan through administrative error, or otherwise, while the insured was totally disabled, and there was not fraudulent action on the part of the insured, take the following action:

a. If the insured files a claim for waiver of premiums on an endowment policy because of total disability, the Insurance Claims Section will advise that under the circumstances he or she is not entitled to a waiver of premiums on the endowment policy because of the total disability which existed at the time of conversion. The insured will be advised of the necessity of remitting monthly premium payments to maintain the policy in force.

b. If premiums on the term policy were waived at time of conversion to an endowment plan, or if waiver is subsequently established as of a date before the effective date of the conversion, a registered letter will be sent to the insured with a return receipt requested, advising that conversion to an endowment plan cannot be made while he or she was totally disabled. Further, the insured will be advised that he or she must remit all due and unpaid premiums on the endowment plan from the effective date of conversion through the current month within 31 days from the date of the letter.

c. If the insured was totally disabled when the insurance was converted to an endowment plan and a claim for waiver of premiums has not been filed, advise the insured that, while he or she may continue the insurance on the endowment plan by the timely payment of premiums, he or she will not be eligible to

apply at any time during the current period of total disability for waiver of premiums because of the total disability which existed when the application for conversion to the endowment plan was submitted.

d. If there was no element of fraud on the part of the insured, afford him or her the privilege of changing the endowment plan to a Modified Life, Ordinary Life, 20-Payment Life or 30-Payment Life policy or reverting to term insurance, which does not require a physical examination report.

e. If change from the endowment plan to one of the other permanent plans is requested, the new policy will bear the same insurance number and effective date as the endowment policy.

f. If the insured does not remit any premiums on the endowment plan, or fails to request a change to another permanent plan within 31 days from the notice that he or she is not entitled to a waiver of premiums, the insured retains the endowment policy.

### **36.19 DEATH OF INSURED BEFORE CONVERSION**

When an application for conversion is acceptable, but the insured dies before the EFFECTIVE DATE OF

CHANGE, disapprove the conversion.

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**CHAPTER 37. CHANGE OF PLAN (NONMEDICAL)**

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## CHAPTER 37. CHANGE OF PLAN (NON-MEDICAL)

### 37.01 GENERAL

a. A permanent plan contract, in force under premium-paying conditions, may be exchanged wholly or in part for any other permanent plan contract in the same prefix series issued by the VA, with the same effective date and based on the same age.

b. A VA Form **29-1550**, Application for Change of Permanent Plan (Non-Medical), may be used by the insured whenever a change of plan is made to a policy with a higher reserve value. These applications are generally processed by the Policy Service Section.

c. A statement over the signature of the insured containing information as to the amount of insurance and plan desired will be considered as an informal application. When an informal application is received, the insured must furnish a signed statement certifying that he or she is not totally disabled.

d. Additional rules and requirements for processing applications for change of plan on NSLI (National Service Life Insurance) and USGLI (United States Government Life Insurance) policies are found in M29-1, part **I**, chapter 19.

### 37.02 INITIAL PROCESSING OF APPLICATIONS

a. When VA Form **29-I 550** is received in the Policy Service Section, the Policy Service technician will review the application to determine if all requirements have been met.

(1) **Signature:** If the application is not signed, the Policy Service technician will:

(a) Obtain a photocopy of the application and print SUPPLEMENTAL (in red) in the upper right corner.

(b) Prepare an automatic typewriter letter or a dictated letter advising the insured that the unsigned application has been approved and that the enclosed copy should be signed, dated and returned. If a beneficiary designation and optional settlement was indicated, the insured should also be advised that the application is not acceptable unless the photocopy is signed, dated and returned.

(2) **Monetary Requirements:** The remittance must be sufficient to pay the difference in reserve between the two plans and at least one monthly premium on the new plan.

(a) The difference in reserve may be paid by a remittance and/or a loan on the new contract, provided the plan being changed has been in effect 1 year or more on the date the change is effected. If the amount of reserve necessary to effect the change of plan has not been provided, the insured **will** be requested to forward the required amount and informed that if the amount is not tendered within 15 days from the date of the letter, the application will be disapproved.

(b) The provisions of VAR regulations **3018** and 3407.2 may be applied to the acceptance of delayed remittances when accompanied by a premium payment. For example: If the insured submitted an application for change of plan postmarked February **10, 1976**, with a requested effective date of change as December **15, 1975** and a premium payment accompanied the application, the application should be processed on a current basis with December 15, **1975** as the effective date of change. This can be accomplished when the insured requested an effective date to coincide with the next premium due date and the application was postmarked within 61 days of the due date.

(c) If the payment received with the application is not sufficient to pay the new contract to the current premium-paying month, a dictated letter will be released advising the insured that the contract **will** be lapsed unless the payment is received. A VA Form **29-369** (S) or (P), Notice of Premium Due, will be prepared and enclosed.

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(3) pending **Waiver Cases**: When the record printout contains a pending waiver **diary**, the Policy Service technician **will**:

(a) Advise the insured that action on the change of plan **will** be taken into consideration after the disability waiver decision has been made.

(b) Forward the applications with the folder attached, to the Insurance Claims Section for a decision concerning the application for waiver of premiums.

(c) After the Insurance Claims Section has reached a decision on the waiver **and completed** other related actions, the case **will** be returned to the Policy Service Section to complete action on the application for change of plan.

(4) Amount of Insurance: The insured may change a plan for its entire face amount, divide the original permanent plan to more than one, or reduce and change the plan in a reduced amount.

*NOTE: When the original contract is split to more than one policy it will be necessary to obtain a new policy number(s) from the Administrative Division.*

(5) **TDIP (Total Disability Income Provision)**: When TDIP is continued, discontinued or exchanged, the change of plan will be processed by the Policy Service technician. When the TDIP is to be added, the applications with the insurance folder will be referred to the Medical Determination Section for processing.

**(6) disability Statement:** If the insured does not provide a sufficient statement regarding disability, with an informal application a VA Form **29-1550**, Application Change of Permanent Plan (Nonmedical)~ will be sent to the insured for completion of the question, "Are you **now** disabled?", before the change is processed. If the insured failed to answer this question on a formal applications a FL **29-615**, will be sent to the insured for a certification of health.

(a) When the question is answered in the affirmative on the VA Form **29-1550**, without a complete and medically acceptable explanation the applicant will be requested to specify the nature and extent of the disability.

(b) All applications received stating the nature of the disability **and** that the veteran is disabled, will be forwarded to the Insurance claims Section via the Insurance Files activity for the attachment to the insurance folder. If the insured is found totally disabled for insurance purposes the application will be ~5approved.

(?) Applications received with entries regarding beneficiary and/or Optional Settlement will-be processed in accordance with the procedures outlined in chapter 15 of this manual.

(b) When supplemental information is necessary before approval of the application can be made, a VA Form **29.5895a**, Pending Transaction Input Card, or VA Form **29.8526**, Pending Transaction, transaction type 008 or **078**, will be prepared to insert or change a **diary**.

(c) When all actions to complete the processing of the application or have been completed the application or will be stamped APPROVED, signed by the Policy Service technician and dated. The release of any input documents **will** also be noted on the application. The effective date of change should always be shown on all applications which are computer processed.

### **37.03 SYSTEM PROCESSING OF APPLICATIONS**

**a.** When it is determined that the application for change of plan is acceptable it will be reviewed for acceptability for processing within the system. If any of the following conditions exist, the application for change of plan must be processed clerically:

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- (1) Policy prefix is J, JR, JS, or
- (2) Reserve value is split; i.e., part applied to loan and part to pay premium, or part to pay premium and part to be refunded, etc.
- (3) How paid code is **0, 1, 2, 4, 5** or **7** or the account is on 724 waiver.
- (4) More than two policies.
- (5) Continuation of TDIP-age 60 rider.
- (6) Exchange of TDIP-age **60** for TDIP-age **65**, or there is an existing TDIP-age **65** rider.
- (7) Master record indicates the insured is incompetent.

(8) TDIP optional segment how paid or next month due is different than in the fixed policy segment.

(9) The amount of insurance is in excess of \$1,000 but not in multiples of \$500.

(10) The policy contains paid-up additions and the plan is being changed from a limited pay life to an endowment plan; the whole life paid-up additions are being changed to paid-up endowment additions in a lesser amount; or changed to paid-up endowment additions in the same amount.

(11) An endowment plan with paid-up additions is being changed to another endowment plan.

1(12) Plan in master record is a 9 or -9.

b. If none of the above conditions exist, a VA Form 29-8520, Underwriting, will be prepared. When this input is processed, a transaction type 000 is automatically created, which will initiate the system processing of a policy for the new plan of insurance, and if appropriate, a policy for the TDIP rider, plus status, if the how paid code in the master record is not 3 or 6, or if the policy callup is not 951. In addition, the system will:

(1) Calculate any cash dividend overpayment.

(2) Establish liens.

(3) Adjust the paid dividend segment.

(4) Insert a lien letter diary message.

(5) Delete 972 diary message.

(6) Generate VA Form 29-5886b, Insurance Record Printout, reason code 008, for clerical release of lien letter.

*NOTE: If program logic determines that only a dividend adjustment is necessary, the system will insert a dividend adjustment diary and generate an RPO (record printout) for clerical processing.*

#### **37.04 CLERICAL PROCESSING OF APPLICATIONS**

a. When the system cannot process the change, the following input documents and forms will be prepared:

(1) VA Form 29-328, Underwriting Worksheet, for filing in the insurance folder.

(2) VA Form 29-8522, Policy, transaction type 022, to effect the policy changes.

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(3) VA Form 29-8523, Premium/TDIP, transaction type 053, to change premium status, the how paid code and the mode in the master record.

**NOTE:**

**VA Form 29-8522, and VA Form 29-8523 are related inputs and must be inserted consecutively.**

(4) VA Form 29-8527, Accounting Control, transaction type 089, to effect miscellaneous accounting action.

(5) VA Form 29-8526, Pending Transaction, transaction type 098, to delete the pending transactions and/or diary messages.

(6) VA Form 29-8530, Life Miscellaneous, transaction type 000. The policy issue code entered on this document will cause the system to automatically issue the appropriate policy and/or status. It is important to control the sequence of this document by completing the sort field, to assure that it is processed after all other changes have been completed.

b. In addition to the above inputs, the following forms, if applicable, will also be prepared:

(1) VA Form 29-8528, Paid Dividend/Dividend History, to adjust dividends.

(2) VA Form 29-5934, Change of Address for Insurance Purpose, if address change is required.

(3) VA Form 29-8525, Dividend/Loan/lien, transaction type 004 or 084, to insert or make changes to the dividend credit or adjust paid-up additions, transaction type 005 or 085 to insert or make changes to the loan segment and/or 006 or 086 to insert or make changes to the lien segment.

**NOTE:**

**Inserting or changing the above segments will require, as applicable, a VA Form 294459, Dividend Deposit/Credit Statement; VA Form 29-8668, Statement of Paid-Up Additions, or a VA Form 29-1468b, Notice of Approval of Policy Loan, and/or a Lien Letter.**

(4) VA Form 29-8531, TDIP, transaction type 007 or 027 to insert or change date in the TDIP segment in the master record. When transaction types 007 and 027 are used, the control sort field should be completed to assure proper sequence of inputs being processed.

(5) If the case is being processed in the VA Center, St. Paul and subsequent premiums are to be deducted from VA benefit payments, allotment from service department active or retirement pay, a VA Form 29-8522, transaction type 082 with a 951 policy callup code will be prepared to assure that the records will be transferred, to the VA Center, Philadelphia.

(6) When premiums are being paid by deduction from service pay or VA benefit payments, action will be taken to adjust the deduction in accordance with M29-1, part II, chapters 29 and 30.

**37.05 CHANGE OF PLAN-TDIP**

a. When an application for change of plan with TDIP is approved, the policyholder may elect one of the following options:

(1) If under 60 years of age, continue the age 60 rider.

(2) Exchange the age 60 rider to the age 65 rider. (If the insured has not reached his or her 55th birthday.)

(a) Provide for a single premium payment in accordance with VA Pamphlet 29-23, Rev. Table I, (paid-up 20 payment life and 30 payment life policies).

(b) Pay a single premium for premiums in advance to age 65 using the discounted premium value rate (paid-up policy(ies)).

(c) Provide for premium payments to age 65.

(3) Cancel the TDIP.

b. If the insured requests to pay the single premium rather than to continue the monthly premiums, a letter furnishing complete information will be released. The letter will advise the insured of the amount required to pay the monthly premiums in advance to age 65; and a clear cost comparison between the two methods of payment will be shown. The insured should also be advised that although the single premium is somewhat less than the amount necessary to pay premiums in advance, that if total disability or death should occur before **65** years of age, premiums which have been paid by this method are not refundable. However, when premiums are paid in advance, any premiums paid beyond the date of total disability or date of death are refunded.

c. The effective date for the TDIP on the new contract will be the same as the effective date of the provision on the old contract.

d. The insurance age for the TDIP will be the same as the age for the provision on the old contract.

e. When unable to determine if the TDIP-age **60** is to be continued or exchanged, the insured will be sent a VA Form **29-467a**, Application for Exchange of TDIP.

f. If TDIP is to be added at the time the plan is changed, refer to Medical Determination Section for processing.

g. If the insured requests that the TDIP be canceled, the following action(s) will be taken:

(1) If the change of plan is being processed by the system, enter **0** in the TDIP code block on VA Form **29-8530**, transaction type **000**.

(2) If clerical action is necessary to affect the change in plan, VA Form **29-8531**, transaction type **097**, will be prepared to delete the TDIP segment.

### **37.06 DISAPPROVED APPLICATIONS**

When an application for a change of plan, other than one which was intended to continue insurance protection of a matured endowment policy, is disapproved, the following actions will be taken:

a. The application will be noted DISAPPROVED, the reason for disapproval, date and the last name of the clerk taking the action. The disapproved application will also be stamped Ready for File, and filed in the insurance folder.

b. The applicant will be notified of the action taken and advised of the reason for disapproval.

### **37.07 WITHDRAWAL OF APPLICATIONS**

When a properly signed request for withdrawal or for a plan or amount, other than stated in the original application for change of plan, is received in the VA, and bears a postmark date, or there is evidence that it was placed in military channels prior to the effective date of change, the request will be granted. Otherwise, the change, as originally requested, will be processed in the usual manner and the applicant informed of the necessary additional requirements to continue the insurance in the amount and plan desired.

**37.08 PAID-UP ADDITIONS**

a. When dividends are used to buy paid-up whole life additions on a permanent plan policy and the policy is changed to another permanent plan (other than endowment), there will be no adjustment necessary of the paid-up whole life additions.

b. When dividends are used to buy paid-up additions on an endowment plan policy and the plan is changed to another endowment plan, an adjustment in the paid-up endowment additions will be necessary. The paid-up endowment additions may be retained in the same amount by payment of the difference in reserve; or may be changed to paid-up endowment additions in a lesser amount.]



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**CHAPTER 38. POLICY ISSUE, ISSUANCE OF REPLACEMENT POLICIES AND TDIP RIDERS**

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## **CHAPTER 38. POLICY ISSUE, ISSUANCE OF REPLACEMENT POLICIES AND TDIP RIDERS**

### **38.01 GENERAL**

a. Issuance or replacement of an NSLI or USGLI policy may be approved if the insurance records disclose that the insurance contract is in force under premium paying conditions, extended term insurance, or paid-up insurance.

b. Issuance or replacement of a TDIP (Total Disability Income Provision) rider may be approved if the insurance records disclose that the insurance contract to which the disability provision is attached is in force under premium paying conditions or paid-up insurance, and that the disability provision is also in force.

### **38.02 INITIAL PROCESSING**

a. A request for replacement of a policy or TDIP rider must be over the signature of the insured or legal guardian except as follows:

(1) A third party request for a replacement policy may be honored, provided the policy is mailed to the insured at the latest address of record. A policy may not be released to a third party without the signed consent of the insured.

(2) A policy may be released to the latest address of record if the request for replacement is unsigned, provided it is apparent the request was made by the insured.

b. When the insurance is lapsed and not in force under extended insurance, a replacement policy will not be issued. Instead, the veteran will be furnished reinstatement requirements, provided the contract is eligible for reinstatement.

c. If a TDIP rider is lapsed and the insurance is in force, the rider will not be replaced. If in order, reinstatement requirements will be furnished. If the request is for a \$5 or \$10 age 60 rider, information and an application for obtaining the age 65 rider will be included.



|                            |                                               |   |
|----------------------------|-----------------------------------------------|---|
| Endowment At 60            | V-RH-W                                        | x |
|                            | J-JR-JS                                       | x |
| Endowment At 65            | V-RH-W                                        | x |
| Special Ordinary Life      | J-JR-JS<br>V-(Age 65 Only)<br>V-(Age 70 Only) | x |
| TDIP Age 60<br>\$10 Riders | V-RS-W-H                                      | x |
| TDIP Age 65<br>\$10 Rider  | V-RS-W-H-J                                    | x |

c. Input transaction type **000** for policy issue will reject (reason code UP1) when the insurance master record indicates any of the following conditions:

- (1) Incompetent bit is on;
- (2) How Paid Code is 1,4 or 2;
- (3) XC-diary is pending; or
- (4) More than 5 years has expired from effective date of term contract to current date.

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**38.04 CLERICAL PROCESSING-ISSUE AND/OR REPLACEMENT**

a. Whenever a policy for issue or replacement purposes or a TDIP rider cannot be printed by the computer system, it will be clerically prepared.

b. The following types of policies and/or TDIP riders for issue and replacement purposes must be clerically prepared:

- (1) USGLI (K) policies.
- (2) USGLI (K) TDIP riders.
- (3) NSLI (RS) policies.
- (4) Replacement Ordinary Life (Plans 9 and -9).

- (5) \$5 TDIP age 60 riders.
- (6) H policies other than Modified Life Age 65.
- (7) Issue ages other than stated in paragraph **38.03b**.
- (8) Policy is going to an address other than the address of record.

c. The following information will be entered on the VA Form **29-5886b**, Insurance Record Printout, by the Policy Service Technician prior to the typing of the policy and/or TDIP rider.

(1) VA form number for policy and/or TDIP rider (see M29-1, pt. I, par. **13.04**).

(2) Monthly, quarterly, semiannual and/or annual premiums for insurance and/or TDIP unless premiums are paid through the premium-paying period (HP **0**) or policy has been surrendered for reduced paid-up insurance (**HP 2**).

(3) Original face amount of insurance if How Paid Code is 4 or **2**, or if plan of insurance is 9 or -9 (Reduced Modified Life Ages 65 and 70).

(4) Mailing address if policy is going to address other than the address in the master record.

d. Clerical preparation of the policy and/or TDIP rider will consist of the following:

(1) Select proper policy and/or TDIP rider.

(2) Type the following information in capital letters, without punctuation, except when information is preprinted or policy does not provide for the information.

(a) Name and address of the insured.

(b) File number (include "F" prefix).

(c) Policy number.

(d) Amount of insurance (DO NOT TYPE IN A DOLLAR SIGN (\$)).

(e) Effective date of policy; i.e., 10-I-1953(not **10-1-53**).

(f) Insuring age.

(g) Plan of insurance (type in all capital letters; i.e., **30 PAYMENT LIFE**, not numeric **3**).

(h) Premium-paying period or maturity date as follows:

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**a**

**Plan**

**Entry**

|                       |                                                                                    |
|-----------------------|------------------------------------------------------------------------------------|
| Term Insurance        | Life                                                                               |
| Ordinary Life         | Life                                                                               |
| Modified Life         | Life                                                                               |
| Twenty Payment Life   | Twenty Years                                                                       |
| Thirty Payment Life   | Thirty Years                                                                       |
| Twenty Year Endowment | Add twenty years to effective date.                                                |
| Endowment at 60       | Add number of years to effective date determined by subtracting issue age from 60. |
| Endowment at 65       | Add number of years to effective date determined by subtracting issue age from 65. |

(i) Amount required to pay premiums, enter appropriate premium amounts. (If replacement policy and How Paid is "0" or "2," enter "All Premiums Paid.")

(j) Type in table of guaranteed values when required. Values may be obtained from the following:

1. USGLI (K) Policies-VA Pamphlet 90-2.
2. NSLI V&H Policies-VA Pamphlet 29-5.
3. NSLI RH Policies-VA Pamphlet **29-8**.
4. NSLI RS & W Policies-VA Pamphlet 29-12.
5. NSLI J Policies-VA Pamphlet 29-15, Supplement II.
6. NSLI JR Policies-VA Pamphlet 29-18a.
7. NSLI JS Policies-VA Pamphlet 29-21.
8. Modified Life Age 70-VA Pamphlet 29-72-3.

(k) RS Term Policies. The policy must be stamped, typed or affixed with a label containing the following:

"IMPORTANT MESSAGE"

Paragraph 12, nonconversion of this policy, is revoked.. The law now provides that this policy may be exchanged for a limited convertible 5-year level premium term policy or converted to one of the eight permanent plans of insurance.

(1) Paid-up Policies (How Paid 2). The following paragraph must be added whenever a paid-up (reduced) policy is requested. It is typed wherever possible on the insurance policy.

"In accordance with the election of the insured and the provisions of the policy, the Paidup Life insurance under this policy is in the amount of \$ \_\_\_\_\_

9-4410, Endowment Permanent Plan Policy for W Insurance (NSLI), it will be necessary to attached a VA Form 9-4412,

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(n) When typing VA Form 29-1667, Total Disability Income Provision (Rider) NSLI Age 65, the following message should be inserted in the space immediately below the name and address block:

"This provision is issued only on condition that the insured is not totally disabled on the effective date. See 'B' below."

### 38.05 PREPARATION OF USGLI POLICIES

a. All USGLI insurance policies and total permanent disability or total disability riders must be clerically prepared. The appropriate policy and/or disability form can be determined by referring to M29-I, part 1, chapter 13.

b. Preparation of the various types of USGLI policies are as follows:

#### (1) SPECIAL ENDOWMENT AT 96 PLAN POLICIES

- (a) Enter the insured's name and address.
- (b) Enter insurance file number preceded by the letter "F." (F 129 62 62.)
- (c) Enter policy number (K 129 62 62).
- (d) Enter face amount of insurance (**10,000**).
- (e) Enter effective date of policy in numerals (10/1/1963).
- (f) Enter insurance age as shown on insurance record printout.
- (g) Maturity Date. Enter anniversary date nearest the insured's 96th birthday.
- (h) Enter appropriate premium amounts.
- (i) Sign name of current Administrator of Veterans Affairs.
- (j) Type in the table of guaranteed values as given in VA Pamphlet 90-2A or insert printed tables, if available.

(k) If insurance plan code on RPO is "6," prepare VA Form 9-1667a, Attachment to Special Endowment at Age 96 for Total Permanent Disability Provision, and attach to the policy.

#### (2) USGLI "LIFE" POLICIES

- (a) Enter age of insured in numerals.
- (b) Enter amount of monthly, quarterly, semiannual and/or annual premiums.
- (c) **Amount of Insurance.** Enter amount of insurance in capital letters (TEN THOUSAND).
- (d) **Insured.** Enter insured's name in capital letters.
- (e) **Premium.** Enter amount for monthly premium and due date if required by policy format.

(f) **Mode of Payment at Death or Disability.** Enter amount of monthly payment (\$5.75 times amount of

insurance in thousands;  $\$5.75 \times 10 = \$57.50$  for \$10,000 policy).

(g) **Beneficiary.** Leave Blank.

(h) Other entries on face of policy are completed as follows:

"This policy takes effect on the (1st) day of (November), Nineteen Hundred and (Twenty-Three)."

Administrator

Veterans Affairs

Countersigned at Philadelphia, PA  
Examined (Current Date), 19

(Signature of Current

Administrator of

(Signature of Policy  
Service  
Technician  
n)  
Registrar

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(i) **Table of Guaranteed Values.** Type in values as given in VA Pamphlet **90-2**. Values for 5-year convertible term policy (plan code **0**) are the same as for ordinary life (plan code 1).

(j) **Reverse of Policy.** Enter in appropriate spaces the policy number, amount of insurance, and the insured's name.

**(3) USGLI ENDOWMENT POLICIES**

(a) Enter age of insured and premium amounts in numerals.

(b) **Amount of Insurance.** Enter insurance amount in capital letters (TEN THOUSAND).

(c) **Premium.** Enter in numerics the amount of one monthly premium.

(d) **Endowment to Insured.** Enter amount in numerics (**10,000**), month in script (November), and year in script (Eighty-Nine)

*NOTE: Maturity date is determined as follows:*

*20 Year Endowment-add 20 years to effective date.*

*30 Year Endowment-add 30 years to effective date.*

*Endowment at 62-add number of years to effective date determined by subtracting issue age from 62.*

(e) **Mode of Payment at Death or Disability.** Enter amount determined by multiplying \$5.75 times amount of insurance in thousands ( $\$5.75 \times 10 = \$57.50$  for a **\$10,000** policy).

(f) **Beneficiary.** Leave Blank.

(g) "This policy takes effect on the (1st) day of (November), Nineteen Hundred and (Seventy-Five)."

Administrator)

Affairs

Countersigned at Philadelphia, PA  
Examined (Current Date), 19

(Signature of Current

Administrator of Veterans

(Signature of Policy Service  
Technician)  
Registrar

(h) **Table of Guaranteed Values.** Type in the table of guaranteed values as given in VA Pamphlet **90-2** for the appropriate plan.

(i) On the reverse side of the policy enter the policy number, amount of insurance, and the insured's name in the appropriate spaces.

c. Most USGLI policies require preparation of an envelope for mailing due to no provision on the policy for the insured's address.

d. The completed policy will be returned to the Policy Service Technician for review and signature prior to release to the insured.

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CHAPTER 39. REPLACEMENT OF MODIFIED LIFE REDUCED AT AGES 65 AND 70

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M29-1, Part II  
Advance Manual Change No. 9-85

November 26, 1985

CHAPTER 39. REPLACEMENT OF MODIFIED LIFE REDUCED AT AGES 65

AND 70

- A. Change: M29-1, Part II, Chapter 39. A suggestion was approved to change the message being shown on Special Ordinary Life diaries. The information contained in the diary will now include the new policy number and the amount of replacement insurance to be issued. It will no longer be necessary to request the insurance folder at the time the Special Ordinary Life policy(ies) is inserted on the master record.
- B. Procedure: Page 39-1, delete paragraphs 39.02a(2), (3).
- Page 39-2, delete paragraphs 39.02a(7), 39.03b, 39.03b(1), 39.03b(i)(a), (b), (c), (d), (e), 39.03b(2), 39.03c.
- Page 39-3, delete paragraph 39.05a.
1. Page 39-1, delete paragraphs ~9.02a(2), (3), and substitute the following:
- (2) Forward the insurance folder and application(s) to the Miscellaneous Accounts and Service Unit (MASU)
- a for assignment of a new policy number(s).  
(3) After the folder is returned:
- (a) If the application(s) is remittance bearing, prepare a transaction type (TT) 078, to remove the life freeze and change the call-up date of the pending transaction type 203 to one day after the insured's 65th or 70th birthday. In addition, prepare a transaction type (TT) 008, to insert the legend "SOL, New Policy Number and Amount of Replacement Policy To 3e Issued" (SOL250732632500). This will be shown in the message area. Do not enter a "I" in the suspend record field of the input.
- (b) If the application(s) is non-remittance bearing, prepare a transaction type 098, to delete

the 978 pending transaction type diary that also has a 972 call-up code. Prepare a transaction type 008, and insert a diary with a 978 pending transaction type and a 970 call-up type. The call-up date should be one day after the insured's 65th or 70th birthday. The legend "SOL, New Policy Number and Amount of Replacement Policy To Be Issued" (SOL250732632500) will be shown in the message area. Do not enter a "1" in the suspend record field of the input.

• 2.

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2. Page 39-2, delete paragraph 39.02a(7) and insert the following:

(7) In addition, the application(s) will be stamped "Approved," signed and dated.

(a) If the initial premium is not received with the application(s) on direct pay (How Paid 9) accounts, the Policy Service Technician should write "Approved, pending receipt of initial premium," and also sign and date the application(s).

(8) At this time, the Policy Service Technician should file the application(s) in the folder and return it to the Insurance Files Section for filing.

3. Page 39-2, delete paragraphs 39.03b, 39.03b(1), 39.03b(1)(a), (b), (c), (d), (e), 39.03b(2), 39.03c and insert the following:

a  
v

b. When the RPO is received and the record shows that the reduction of the Modified Life has been accomplished, the Policy Service Technician will prepare Underwriting Input, transaction type **(TT)** 000, to insert the new policy(ies) on the master record using the new policy number(s) and amount(s) of insurance furnished in the Special Ordinary Life (SOL) diary(ies) on the RPO.

c. When the RPO is received and the record shows that reduction of the Modified Life should have been accomplished by the system but was not, the Policy Service Technician will prepare input to reduce the policy(ies) clerically and process the application as outlined in subparagraph b above.

d. In the event that the new policy(ies) cannot be inserted by using Underwriting Input, transaction type **(TT)** 000, the following transactions types will be prepared to insert the new policy(ies) on the master record:

- (1) Transaction type (TT) 002.
  - (2) Transaction type (TT) 003.
  - (3) Transaction type (TT) 004, if appropriate.
  - (4) Transaction type (TT) 098.
4. Page 39-3, delete paragraph 39.05a and insert the following:

- 3.

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(a) When it is necessary to disapprove an application(s), the Policy Service Technician will request the insurance folder, stamp the application(s) DISAPPROVED, and sign and date it.

C. New or Revised

Insurance Forms: None

0)-i:/ %~-; #  
Assistant Director for Insurance

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a-- M29-1, Part II  
Advance Manual Change No. 2-83

September 5, 1983

Chapter 39 - Replacement of Modified Life Reduced at Ages 65 band 70

- A. Change: M29-1, Part **11**, Chapter **39**. This change is being made in conjunction with advance Manual Change 1-83 in M29-1, Part I.
- B. Procedure: Page 39-1, delete subparagraph 39.01b in its entirety and substitute the following:

b. The replacement policy issued for J, RH and W policies has the same premium rates and value as the Ordinary Life plan. (The plan in the Master Record, however, will be coded as a "0" for a J, RH and W replacement policy). For V and

H policies the Special Ordinary Life plan will -e issued. The plan in the Master Record for V and H policies will also be coded "0". The appropriate plan code 2 or 3 will be issued for the JR replacement policies.

C. New or Revised  
Insurance Forms: None

ROBERT W. CAREY  
Assistant Director for Insurance  
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February 13, 1979

**M29-I, Part II**  
**Change 15**

## **CHAPTER 39. REPLACEMENT OF MODIFIED LIFE REDUCED AT AGES 65 AND 70**

### **39.01 GENERAL**

a. The Modified Life plan of insurance provides that the amount of insurance is reduced by one-half at the end of the day before the insured's 65th or 70th birthday. The law also provides that an insured, whose Modified Life policy is in force at the time of reduction, will be afforded the opportunity to purchase additional insurance to replace the amount of insurance which is reduced.

b. The new policy is issued on the Ordinary Life plan for J, RH and W policies and the Special Ordinary Life plan for V and H policies. Premiums are charged for the insured's age of 65 or 70. On JR policies the cheapest plan will be issued.

c. Application for the new policy must be made before the insured's 65th or 70th birthday and no medical examination is required.

*EXCEPTION: If premiums are being waived because of total disability, replacement insurance equal to the amount of insurance reduced will be issued automatically.*

d. Upon receipt of an application for replacement insurance and the insurance RPO (record printout), the insurance file clerk will associate it with the insurance folder and forward to the Policy Service Section.

### **39.02 INITIAL CLERICAL PROCESSING**

a. Upon receipt of a VA Form 29-8485, Application for Ordinary Life Insurance (At Age 65), 29-8700, Information About Reduction and Change of Plan (Final Notice-Modified Life Age 65), 29.8485a, Application

~ for Ordinary Life Insurance (At Age 70), or 29-8701, Information About Reduction and Change of Plan (Final

~ Notice-Modified Life Age 70), the insurance folder and a VA Form 29-5886b, Insurance Record Printout, in the Policy Service Section, the Policy Service Technician will take the following actions:

(1) Review the application for completeness.

(2) If the application is remittance bearing, prepare VA Form 29-8526, Pending Transaction, transaction type 078, to remove the life freeze and change the callup date of the pending transaction type 203 to I day after the insured's 65th or 70th birthday. In addition, prepare a VA Form 29-5895a, Pending Transaction Input Card, TT 008, to insert the legend "SPL OL REPL" in the pending transaction area. Do *not* enter a "1" in the suspend record field of the input.

(3) If the application is nonremittance bearing, prepare VA Form 29-8526, transaction type 098, to delete the pending transaction type 972. Prepare a VA Form 29-5895a, transaction type 008, to insert a pending transaction type 970 with a callup date I day after the insured's 65th or 70th birthday. The legend "SPL OL REPL" will be shown in the message area. Do *not* enter a "1" in the suspend record field of the input.

*NOTE: The removal of the freeze condition will permit the system to reduce the face amount of the policy, change the plan of insurance from 8 to 9 or -8 to -9 and generate an insurance record printout for clerical action to issue the new insurance.*

(4) If the policy is being paid by direct pay (How Paid 9), the initial premium for the new policy should accompany the application. If the initial premium is not received, a letter will be released to the insured. Every effort will be made to have the insured complete the requirements before the end of the time period.

(5) If the policy is being paid by allotment or deduction from benefits (How Paid Code 6 or 3), prepare VA Form 29-1588, Request for Allotment Deduction Change, or a VA Form 29-5926, Request for DFB Action, to increase the amount of deductions being received. Insert the appropriate diary with the normal callup. Do *not* enter "1" in the suspend record field of the input.

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(6) If the policy is being paid by payroll deductions (How Paid 8), advise the Collections and Cashier Section, Corporation Accounts (245B), to have deductions increased for the amount of the new premium and the effective date of the increased premium. The payroll office code should also be shown.

(7) **When all** actions have been completed, file **the** application in **the** folder and return it to the Insurance Files Section for filing.

### **39.03 APPROVED APPLICATIONS**

**a.** When the callup date is reached (**1** day after **the** insured's 65th or 70th birthday) an RPO will be generated for clerical issuance of **the** appropriate replacement policy.

**b.** When the RPO is received and the record shows that reduction of the modified life has been accomplished, the Policy Service Technician will request the insurance folder and, when received, process the application.

**(1)** **If** the application is approved, the following input documents will be prepared to insert the new policy on master record:

- (a) VA Form 29-8522, Policy, transaction type 002.
  - (b) VA Form 29-8523, Premium/TDIP, transaction type 003.
  - (c) VA Form 29-8528, Paid Dividend/Dividend History transaction type 004.
  - (d) VA Form 29-8530, Life/Miscellaneous, transaction type 000.
  - (e) VA Form 29-8526, Pending Transaction, transaction type 098.
- (2) In addition, the application will be stamped "approved," signed and dated.

c. When the RPO is received and the record shows that reduction of the modified life has not been accomplished, the Policy Service Technician will prepare input to reduce the policy clerically and process the application as outlined in subparagraph b above.

#### **39.04 REDUCTION OF MODIFIED LIFE 65/70 (HOW PAID 5) WITH TDIP**

a. An RPO, reason code 982, with the message "Modified Life HP5" is generated when a modified life, on a waiver of premiums, is reduced.

b. When an RPO, reason code 982, is received, the Policy Service Technician, will have a policy number assigned for the new issue and prepare the following input to insert the new policy as an "lips" account:

- (1) VA Form 29-8522, transaction type 002.
- (2) VA Form 298523, transaction type 003.
- (3) VA Form 29-8528, transaction type 004.
- (4) VA Form 298530, transaction type 000.

c. When a modified life contract on a waiver of premiums with a TDIP (Total Disability income Provision) segment is reduced, the amount of the TDIP is also reduced. Therefore, when inserting the replacement policy it will be necessary to establish a TDIP segment. To establish the TDIP segment, in addition to the above input, a VA Form 29-8531, TDIP, transaction type 007, should be prepared. The effective date will be the insureds 65th or 70th birthday; the premium ``0.00"; and the How Paid ``5."

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d. When all input has been accepted, the insurance folder and current RPOs will be sent to the Insurance Claims Section. The Insurance Claims Section will insure that the insurance award master record is adjusted and updated.

#### **39.05 DISAPPROVED APPLICATIONS**

a. When it is necessary to disapprove an application, the Policy Service Technician will stamp the application DISAPPROVED, sign and date it.

- b. A dictated letter will be sent to the applicant. The reason for disapproval will be included in the letter.
- c. The necessary input documents will be prepared to delete any diaries and/or refund any remittances.