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CHAPTER 1. SERVICE-DISABLED VETERANS' INSURANCE (S-DVI) TITLE 38 U.S.C. 1922(a)

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CHAPTER 1. SERVICE-DISABLED VETERANS' INSURANCE (S-DVI) TITLE 38 U.S.C. 1922(a)

1.01 GENERAL

a. Life insurance, S-DVI, is available to persons released from active duty with military service on or after April 25, 1951, under other than dishonorable conditions, with a service connected disability or disabilities for which compensation would be payable if 10 per cent or more in degree and except for which such persons would be insurable according to the standards of good health established by the Administrator.

b. Applications for S-DVI insurance must be made within 2 years from the date of notification by the VA that such disability(ies) is service connected. Prior to September 1, 1991, applications for Service-Disabled Veterans' Insurance (S-DVI) had to be made within 1 year from the date of notification by the VA for service connected disabilities.

c. Application for S-DVI insurance should be made on VA Form 29-4364, Application for Service-Disabled Veterans Insurance .

d. VA Form 29-4364a, application for Service-Disabled Veterans' Insurance (S-DVI) Non-medical, has been discontinued. However, if it is submitted, it will be considered as a valid application for S-DVI insurance, if timely submitted. The rules established in this chapter will apply when processing this application. However, when a complete physical examination report is furnished, whether required or not, it will be evaluated under the good health standards. All medical information furnished will be considered. If the old application contains missing items, no further development is necessary if the questions are no longer a part of the new application.

1.02 PRELIMINARY PROCESSING OF FORMAL APPLICATIONS

a. All incoming applications for S-DVI insurance will be checked through BIRLS or local index before an S-DVI number is assigned. If a prior insurance number is V, RS, or RH, that number will become the insurance file number. Otherwise, a new file number will be assigned to the application.

b. If the file number supplied by BIRLS is a J or K number, an RH number will be established as the insurance file number. Necessary input documents will be prepared to delete the J or K master record and insert it under the newly assigned RH number. The Live Claims Section will be responsible for the insertion of a temporary master record when a prior insurance number exists.

c. When establishing a temporary master record, a 45-day diary will be created with a call-up code 972, without a message. Once the temporary master record is established, any money sent in with the application will be inserted on the account. Acknowledgment that the application is receiving attention will be released automatically to the veteran.

1.03 PROCESSING FORMAL APPLICATIONS

a. Upon receipt of the S-DVI application, the Veterans Claim Examiner will review the application to assure that the temporary master record was properly established. If a temporary record was not established, the necessary actions will be taken to establish the record.

b. If the information on the application was incomplete, the missing data and any other requirements which may be necessary to complete the record will be obtained from the applicant.

c. Upon receipt of the requested information, input will be prepared to insert the missing data in the temporary record. If in order, the missing information can be inserted and the account turned "live" .

d. Review of VA Form 29 - 4364

(1) Generally applications submitted by competent individuals will be processed without any additional records, provided that section 2 of the application is completed and the rating and the BDN (Benefits Delivery Network) inquiry screens dispose of all the impairments noted on the application. If the impairments are not disposed by either of these methods, contact will be made with the regional office of jurisdiction for any ratings needed.

(2) If an application is submitted by an incompetent veteran or by a legal guardian or federal fiduciary acting on behalf of an incompetent veteran as provided under VA Regulation 38 CFR 8.36, 38 CFR 13.55), the information will be obtained from the regional office of jurisdiction before a determination of good health is made.

(3) Generally, all questions relating to the applicant's health should be answered and all yes answers should be explained. If the explanation is inadequate or more information is needed, contact with the veteran will be made. If a supplemental application is needed, it will be adapted to the particular information required to approve the original application. Numerical ratings will be assigned as necessary in accordance with M29-1, Part V.

(4) Unanswered questions pertaining to separation dates, compensation or pension, etc. may be resolved by referring to the rating decision, claims folder or other related materials.

(5) Endowment plans of insurance cannot be issued to an applicant if totally disabled. Therefore, when a totally disabled applicant submits an application requesting an endowment plan of insurance, the 20 Payment Life Plan will be substituted. The applicant will be advised of the reason for the substitution and offered an opportunity to withdraw the application.

(6) If the application is not signed, a photocopy of Section 2 of the application submitted (omitting the signature) will be sent to the veteran requesting that the form be currently signed and dated.

(7) If the application is from an individual who is still on active duty in the military service, the applicant will be advised that the application cannot be processed until he or she is released from the service. The applicant will also be notified that the application will be held in a pending status until we receive notification of his or her separation from active duty. A 60-day diary will be established on the temporary master record. If notice of separation is not received with 60 days, a follow-up letter will be sent to the applicant to determine his or her military status. If there is no response within 30 days, the application will be disapproved.

e. In addition to the application being reviewed for medical acceptability, it will also be checked to see that the monetary requirements are met before final approval of the application is made. Depending upon the method of payment of premiums selected by the applicant, the following will apply:

(1) If the application is received from a veteran who is not receiving VA benefits, and the application indicates direct remittance or EFT (Electronic Funds Transfer) to pay premiums, the first premium should accompany the application. If a remittance is not received, the applicant will be requested to submit the initial and any subsequent premiums within 15 days.

(2) If the veteran is in receipt of VA benefits at the time the application is made for S-DVI insurance, and the amount being received from benefits is sufficient to pay the insurance premiums, the initial and subsequent premiums may be paid by this method. If DFB (deduction from benefits) payments are not subsequently established because VA compensation is not payable or the amount of compensation is insufficient to pay the premiums, or the applicant is receiving service retirement pay, the applicant will be allowed 31 days to pay all premiums necessary to place the account on a premium-paying basis. If the amount is not paid, the application will be disapproved.

(a) When an application indicates direct remittance, but no money or insufficient money accompanies the application, we will ask for the money needed to pay premiums for the plan selected. If the veteran selected no plan, but sent in sufficient money to pay a term premium, we will issue term insurance. If the veteran selected no plan and remitted no money, we will allow 31 days to send in sufficient money for term insurance. If no payment is received, the application will be disapproved and any remittance will be refunded.

(b) If no plan is selected, but the veteran had indicated payment to be made by direct remittance and remitted an amount which identifies a certain plan, that plan will be issued. Where the amount remitted is greater than the term premium, but does not match any other plan, term insurance will be issued and the excess money will be held as a credit to be deducted from the next premium due. Appropriate notification will be released to the veteran.

(c) Where direct remittance is indicated and the veteran has selected a plan other than term, but remitted insufficient money for the premium, we will allow 15 days for the veteran to send in the difference. If the difference is not received, the application will be disapproved and the money refunded.

(d) Where the application shows the method of premium payment to be other than direct remittance, and no plan is indicated, we will issue term insurance. Where a plan is indicated, but there is insufficient money from compensation or allotment for the plan selected, the applicant will be allowed 31 days to pay the premiums necessary to place the account on a premium paying basis. If the amount is not paid, the application will be disapproved and the money refunded.

(e) On any application where the amount of insurance is not shown but the plan and remittance equate with a dollar amount, we will issue that amount of insurance. If the plan and remittance do not equate with a dollar amount, we will secure supplemental information.

(f.) When supplemental information has been requested, but not received, we will attempt to contact the applicant by phone to ascertain the reason for non-submission. If the applicant indicated that he wants insurance issued to him, despite his noncompliance, we will allow a further 15 day period to submit requirements.

(g) There is no change in the requirement that where there is evidence suggesting the possibility of premium waiver, the case will also be referred to the Veterans Claim Examiner for a decision.

NOTE: All of the above presupposes that basic eligibility, except for monetary requirements, have been met.

(3) If premiums are to be paid by an allotment from service retirement pay, action will be taken to establish an allotment on a month-in advance basis. A frozen diary will be inserted on the temporary master record. If the allotment is of record at the time the application is approved or is subsequently established, but is not timely to validate the contract, liens will be established to place the account on a month-in-advance basis. A letter will be released to the insured advising him of the lien. If the allotment has not been received when the application is approved the prior diary will be deleted and a frozen, "953, 1588, and month number diary" will be inserted with a call-up date 120 days from the date of the original request.

4. When all medical and monetary requirements are met, the application will be approved and the Veterans Claim Examiner will sign and date the application.

1.04 PROCESSING APPLICATIONS FOR INCOMPETENT VETERANS

a. If a veteran has been rated incompetent during any part of the 2 year period for filing an S-DVI application for insurance, application for such insurance may be made within 2 years after a legal guardian or a federal fiduciary is appointed or within 2 years after removal of such disability, whichever is earlier. Prior to September 1, 1991, application had to be made within 1 year.

b. Only the legal guardian or a federal fiduciary acting on behalf of the veteran may submit an application for S-DVI.

c. An application may be accepted from an incompetent insured if a physician's statement is enclosed with the application stating that the veteran was lucid and knew the importance of his act.

1.05 QUESTIONABLE ENTITLEMENT

a. The purpose of the law 338 U.S.C. 1922(a), is to provide insurance for seriously disabled veterans who have a service connected disability. It is not intended to apply in those instances in which the second or subsequent ratings are re-ratings of the same disability or disabilities. A secondary disability which is a manifestation of an original service connected disability is considered a different disability for eligibility purposes, and the veteran is entitled to a new 2 year eligibility. The following are examples of the foregoing reasoning:

(1) The veteran originally was granted service connection for diabetes mellitus and 2 years later was granted service connection for psychoneurosis. The narrative in the second rating contained a statement that the psychoneurosis was secondary to the diabetes mellitus. In this case, the second rating entitles the veteran to a new 2 year period.

(2) The veteran originally was granted service connection for diabetes mellitus, and 6 years later was granted service connection for gangrene and removal of toes, due to and attributed to diabetes mellitus. In this case, the veteran is entitled to a new 2 year period, even though the second disability is a manifestation of the original disability.

(3) The veteran originally was granted service connection for diabetes mellitus, and 6 years later was re-rated for the same disability. Since the second rating is a re-rating of the original condition, there is no additional period of eligibility.

b. When there is any doubt as to whether subsequent rating grants entitlement to a new 2 year period, the case should be referred to the Section Chief for an opinion before the insurance is granted.

1.06 Processing Informal Applications

a. Any written statement requesting S-DVI insurance will be considered as an informal application. The requests will be developed as follows:

(1) An RH number will be assigned.

(2) The necessary inputs will be made to establish a temporary master record.

(3) Diary the case for 45 days.

(4) If requirements are met, release an application and advise the applicant to return the application within 31 days.

b. If the application or reply is not received at the end of the diary period, the request will be disapproved and the remittance, if any, will be refunded.

1.07 Applications Disapproved or Medically Rejected

a. When an application for S-DVI insurance is disapproved or rejected, the applicant will be advised by letter as to the reasons why the insurance was denied.

b. When an application is rejected because of medical impairments, the applicant will be informed as to all the reasons for the disapproval and advised of his or her right to appeal. If the medical condition for which the insurance is being disapproved was considered for service connection but such disability was denied by the regional office, the veteran will be advised to direct an appeal or notice of disagreement to the regional office where his or her claim file is located and not to the Insurance Office.

c. When an application is disapproved, or approved for less than $10,000 and the applicant is still eligible for additional S-DVI insurance, the veteran will be advised as of the final date of the 2 year period.

d. When an application is disapproved because the rating decision is more than 2 years from the date of notification, the veteran will be so advised. The veteran will also be informed that if he or she believes that a service connected disability exists for which a rating has been previously established, to contact the regional office of jurisdiction advising them of the fact. The veteran will be further informed that reapplication for S-DVI insurance can be made within 2 years from the date he or she is notified that a second rating has been granted for the new disability.

e. If a temporary master record has been established and the application is disapproved or medically rejected, a VA Form 29-4437 (Underwriting Numerical Rating) will be prepared. In addition, the Veterans Claims Examiner will take action to delete the temporary master record and refund any remittances.

1.08 Existing Insurance in Force

a. Application for S-DVI insurance must be made in multiples of $500 and not less than $1,000. No person can carry Government life insurance (either Service-Disabled Veterans' Insurance or U.S. Government Life Insurance or both) in excess of $10,000 at any one time. Servicemember's Group Life Insurance or Veterans Group Life Insurance is not considered in the $10,000 maximum.

b. If the records indicate that the applicant is carrying or has carried Government life insurance, the previous records will be considered before any action is taken on the new application. In order to determine that the maximum statutory limit will not be exceeded, the following examination of facts should be made:

(1) The face amount of any Government life insurance contract in force under premium paying conditions (including waiver of premiums under sec. 712 or 724).

(2) The face amount of any Government life insurance contract providing protection under the extended insurance provision thereof.

(3) The paid-up amount of any Government life insurance excluding the amount purchased by dividends for paid-up addition.

c. An applicant may be issued up to $10,000 of S-DVI insurance even though he or she is receiving installment payments on a matured endowment policy.

d. If the applicant desires to keep his or her present contract, the application will be disapproved or processed in a reduced amount, according to the applicant's request.

1.09 Determination of Total Disability of Applicant

a. Since S-DVI insurance is only available to persons suffering from some form of disability, the Veterans Claims Examiner must always consider the possibility of the insured's entitlement to premium waiver.

b. In this respect, it is not the intention of these instructions to imply that for every S-DVI case a VA Form 29-357, Claim for Disability Insurance Benefits, should be sent to the applicant for possible consideration of premium waiver. However, prudent judgment should be exercised to insure that all deserving veterans receive full consideration.

c. When endowment insurance has been requested and there appears to be the possibility of total disability, the case is referred to the Senior Claims Examiner for a decision to determine total disability on the date of application. Final action on the application will not be taken until the decision has been made. If the applicant is found totally disabled, 20 Payment Life Plan will be substituted. The applicant will be advised of the reason for the substitution and offered an opportunity to withdraw the application.

1.10 Beneficiary Designations

The following procedures will apply to beneficiary designations on S-DVI applications.

a. If the applicant is physically unable, for any reason, to sign an application, and a beneficiary has been designated, the applicant will be requested to obtain statements from two disinterested parties to the effect that the designated beneficiary is in accordance with his or her wishes. The applicant will also be advised that the witnesses must sign and date the statement and show their address of record.

b. When a legal guardian or a federal fiduciary applies for insurance on behalf of an incompetent veteran, the beneficiary will always be the estate of the insured.

c. When an application for S-DVI insurance is disapproved (because the veteran has NSLI) and the application contains an acceptable beneficiary designation which is different from that on the active insurance, the designation will not be made a matter of record. A VA Form 29-336 (Designation of Beneficiary) will be enclosed with a letter of disapproval. The insured will be advised of the beneficiary designation on all contracts in force and that the designation on the disapproved S-DVI application will not change any current designation(s) on policies presently in force. The insured will be informed to complete the enclosed VA Form 29-336, if he or she wants to make any changes.

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CHAPTER 2. TOTAL DISABILITY INCOME PROVISION

2.01 GENERAL

a. The policy, rules and requirements for adding and exchanging of the TDIP (Total Disability Income Provision) and establishment of the TDIP premiums are included in M29-1, part I, chapters 2 and 16.

b. The LMA (Lay Medical Approvers) in the Medical Determination Section will complete all actions when processing an application for TDIP, including the preparation of input documents.

c. VA Form 29-1606, Application for Total Disability Income Provision (Medical), should be used by NSLI (National Service Life Insurance) and USGLI (United States Government Life Insurance) applicants, insurance age 41 and over:

(1) Applying for the $10 age 65 rider

(2) Exchanging a $5 age 60 ND rider to a $10 rider

(3) Exchanging a $5 age 60 HD rider to a $10 rider

d. VA Form 29-1606a, Application for Total Disability Income Provision (Nonmedical), should be used by NSLI applicants, insurance age 40 and under when:

(1) Applying for the $10 age 65 rider

(2) Exchanging a $5 age 60 ND rider for the $10 age 65 rider

e. VA Form 29-467a, Application For Exchange Of Total Disability Income Provision, should be used by NSLI applicants who have not reached their 55th birthday when exchanging a $10 age 60 rider to a $10 age 65 rider.

f. When an informal request over the insured's signature indicating a desire to continue the TDIP, and/or payment at the new premium rate is received, the informal application and/or payment will be considered as a qualifying application.

g. When section 712 or 748 waiver is effective, the TDIP will be continued even though the insured does not request or indicate a desire to continue the premium on the new insurance.

2.02 MEDICAL DETERMINATION

a. When applications are received, a VA Form 29-5886b, Insurance Record Printout (RPO), will be requested and, if required, any other records necessary to process the application.

b. Medical requirements for the TDIP rider are more stringent than those for life insurance. The applicant must not only be in good health but must be free from any condition which might increase his or her possibility of becoming totally disabled later in life. Good health requirements may not be waived even though a disability is service-connected.

c. The TDIP rider cannot be obtained if the applicant has suffered the loss of hearing in either ear, loss of sight in either eye, loss of speech, amputation or loss of use of a hand, arm, leg or foot.

d. The TDIP rider may not be issued if the final medical numerical rating exceeds 140 or if the veteran has any impairment, as shown in M29-l, part V, chapter 2, that precludes issuance of the rider.

e. The LMA will review the application for completeness and determine if the applicant meets all requirements as outlined in M29-l, part 1, chapter 16 and M29-l, part V.

f. In most instances it is desirable to examine the claims folder, if any, before approving the application for TDIP. If a claims folder is available, any supplemental examinations and/or other medical information will not be requested until the claims folder is reviewed.

2.03 PROCESSING APPROVED APPLICATIONS

a. When an application for issuance or exchange of TDIP is acceptable, the account will be reviewed to determine if the case can be processed automatically within the system. The application must be processed clerically if any of the following conditions exist:

(1) Insurance has a J or K policy prefix.

(2) Exchange was requested on a permanent plan or ante dated conversion.

(3) The amount of insurance is in excess of $1,000 but not in multiples of $500.

(4) The how paid code is 0 to 7.

(5) The TDIP how paid code is different than the how paid code for the parent policy.

(6) The master record indicates that the insured incompetent.

(7) The age 65 TDIP rider is continued or exchanged at time of change of plan.

(8) The remittance will pay premiums beyond the new action date.

(9) There are more than two policies involved.

(10) The mode is 0.

(11) The TDIP age is within the last 5 years on a TDIP age 60 rider.

b. If none of the above conditions exist, VA Form 29-8520, Underwriting, will be used as input to initiate automatic processing by the system. When this input is used, the system will automatically create a tape image for the policy involved and will accomplish the following:

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

(2) Take the control accounting action required to apply money intended for TDIP premiums.

(3) Issue a TDIP rider and a status notice if the policy is not frozen and the how paid code is not 3 or 6.

c. If the system is unable to process the application automatically, the LMA will take the following action:

(1) Prepare a VA Form 29-8531, TDIP, transaction type 007, if the rider is to be added to the policy. Transaction type 027 will be used to change the TDIP data when a change to the insurance policy is being made as a result of a conversion, change of plan or exchange.

NOTE: When transaction type 027 is used, it will be coded to assure that it is processed after any input is prepared to change the policy and/or premium segment.

(2) Prepare VA Form 29-8530, Life Miscellaneous, for the issuance of a TDIP rider and policy status. This document should be controlled to assure that it is processed after all changes have been accomplished.

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 LMA. The application with any supplemental information will be filed in the insurance folder.

2.04 APPLICATIONS HELD PENDING

If an application cannot be approved because additional medical development is necessary or the monetary requirements have not been met, a VA Form 29-8526, Pending Transaction, will be prepared to establish a numeric diary or a VA Form 29-5895a, Pending Transaction Input Card, to establish an alpha pending diary to assure proper control.

2.05 APPLICATIONS DISAPPROVED

If an application for issuance or exchange of TDIP is disapproved, the following actions will be taken:

a. A dictated letter will be sent to the insured advising the reason for disapproval.

b. Prepare VA Form 29-8526 to initiate disbursement of any moneys remitted for the payment of TDIP premiums.

c. The application will be stamped disapproved. The reason for disapproval, date and initials of the LMA will be entered in the stamped impression.

d. The application will be filed in the insurance folder.

2.06 MEDICALLY REJECTED APPLICATIONS

If an application for TDIP is medically rejected, the following actions will be taken:

a. A VA Form 29-4437, Underwriting Numerical Rating Sheet, will be prepared and filed in the insurance folder.

b. A dictated letter will be prepared for release to the veteran stating the reason for rejection and advising the applicant of the right to appeal as provided in chapter 7. When it is possible that reapplication may be favorably considered after a waiting period, the applicant will be so informed providing he or she will not have reached his or her 55th birthday before the end of the waiting period.

2.07 TDIP ADDED AT TIME OF CONVERSION

a. When the insured requests that the converted plan of insurance be effective on the premium due date of the premium month in which the application for conversion and addition of TDIP are submitted; antedated to the original effective date of the term contract, or an intermediate effective date, the conversion will be processed before the TDIP is added to the permanent contract.

b. When the insured requests the permanent plan of insurance effective as of the next premium due date following the premium month in which the application for conversion and addition of the TDIP are submitted, the TDIP will be given the same effective date as the conversion provided:

(l) The insured requests the same effective date for the TDIP as the converted policy; or

(2) The amount of remittance submitted is sufficient to pay the necessary premium to make the effective date the same; or

(3) The medical examination or health statement is within 31 days of the proposed effective date; or

(4) The insured has not indicated in any way that he or she wishes immediate protection for the TDIP or desires that the rider be added to the term policy before conversion.

NOTE: Payment of the first monthly premium for the amount of TDIP applied for must accompany the application or be of record.

c. If the application for conversion is acceptable, but the TDIP is medically rejected, the conversion will be processed, the insured advised of action taken and the money intended for the TDIP rider refunded.

2.08 TDIP ADDED OR CONTINUED WHEN CHANGING PLAN OF INSURANCE

a. When a permanent plan policy with TDIP is changed to another permanent plan, the age and effective date of the rider will not be changed. If the TDIP age 60 rider has been or is being exchanged to the age 65 rider, clerical action is necessary to update the master record.

b. When unable to determine if the TDIP age 60 rider is to be continued or exchanged, a dictated or MTST (Magnetic Tape Selective Typewriter) letter will be prepared requesting the insured to complete and

return VA Form 29-67a, if an exchange of the present TDIP is desired. The insured will be also advised that if the form is not returned within 31 days, the age 60 rider will be continued.

c. If a maturing endowment contract is changed to another permanent plan contract on the maturity date and there is a TDIP age 65 rider, the following options are available to the insured:

(I) The TDIP coverage may be canceled.

(2) A single premium payment may be made in accordance with the information in VA Pamphlet 29-23, Revised, October 1970, section III, table I, (see subpar. (4) below).

(3) Monthly payments may be made until the insured's 65th birthday as shown in VA Pamphlet 29-23, Revised, October 1970, Section II, table 2.

(4) The insured may make a lump sum payment for premiums in advance to age 65 using the discount rate.

(5) If the change of plan is made on the maturity date, the premium rates will be obtained from the VA pamphlet described in subparagraphs (2) and (3) above. When the effective date is prior to the maturity date, the case will be referred to the Actuarial Staff (299), VA center, Philadelphia, for calculation of the TDIP premium on the changed contract. The effective date of the TDIP will be the same on the new contract.

d. When a maturing endowment contract is changed to another permanent plan contract on the maturity date and there is a TDIP age 60 rider, the following options are available:

(1) The TDIP coverage may be canceled.

(2) A single premium payment to age 60 may be made on the exchanged contract (see subpar. (4) below).

(3) If the insured has not reached his or her 55th birthday, he or she may exchange for a TDIP age 65 rider and make payment as specified in subparagraphs c(2), (3) or (4) above.

(4) If the change of plan is made on the maturity date, the premium rates will be calculated by using the tables from the VA pamphlet as described in subparagraph c(2) and (3) above. When the effective date is prior to the maturity date, the case will be referred to the Actuarial Staff (299), VA center, Philadelphia, for calculation of the TDIP premium on the changed contract.

e. When TDIP is added, the effective date of the provision will be the last prior premium due date in which the application is postmarked. For example, if the application for change of plan and TDIP was postmarked on April 4, 1975, and the next premium due was May 1,1975, the TDIP would be made effective as of April I, 1975, and the change of plan made effective as of May 1, 1975.

2.09 EXCHANGE OF TOTAL DISABILITY INCOME PROVISION

a. Exchange of the $10 age 60 rider to the $10 age 65 rider will be processed in the Medical Determination Section when related to applications requiring underwriting action.

b. When the TDIP age 60 rider on a permanent plan policy is being exchanged for a TDIP age 65 rider, the age and effective date remain the same as when added to the age 65 rider. A special premium rate must be computed in order to allow for the reserve that has been accumulated on the age 60 rider. (See VA Pamphlet 29-23A, Supplement VA Pamphlet 29-23, for rates and instructions.) These cases must be processed clerically.

2.10 DEDUCTION OF TOTAL DISABILITY INCOME PROVISION

a. When TDIP is to be continued on a reduced contract, the reduction of insurance and TDIP may be accomplished simultaneously within the system by completing VA Form 29-8520, transaction type 000.

b. The effective date and insurance age for the TDIP on the reduced amount of insurance will be the same as that on the original contract.

c. The amount of the total disability premium will be the same rate as that on the original contract and will be adjusted in proportion to the amount of TDIP continued.

2.11 CANCELLATION OF TOTAL DISABILITY INCOME PROVISION

a. When payment for the initial total disability premium is returned after redeposit from the bank on which it was drawn, because of insufficient funds, account closed, etc., the applicant will be given 15 days to replace the initial payment. If the check is not received within the time allowed, the TDIP rider will be canceled as of the effective date of the provision. Any subsequent remittances received for payment of TDIP premiums will be refunded.

b. When the insured requests in writing over his or her signature that the TDIP rider be canceled as of a current date, the effective date of change for the cancellation will be:

(l) The due date for the premium month in which the request was submitted, if the TDIP premium for that month has not been paid.

(2) The next premium due date, if the premium for that month has been paid.

NOTE: Total disability premiums which have been paid and earned prior to the effective date for cancellation are not subject to refund.

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CHAPTER 3. REPLACEMENT OF EXPIRED PERMANENT AND TERM INSURANCE

(Title 38 U.S.C 781(a) and (b))

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CHAPTER 3. REPLACEMENT OF EXPIRED PERMANENT AND TERM INSURANCE

(TITLE 38 U.S.C. 781(a) and (b))

3.01 GENERAL

a. Any person who surrendered an NSLI (National Service Life Insurance) or USGLI (U.S. Government Life Insurance) [ ] policy on a permanent plan for its cash value while on active service after April 24, 1951, and before January 1, 1957, may apply for permanent plan of insurance on the same plan not in excess of the amount surrendered for cash, or may reinstate such surrendered insurance upon payment of the required reserve and the premium for the current month. Application for this insurance may be made in writing while on continuous active duty which began before January 1, 1959, or within 120 days after separation. No medical examination is required.

b. Any person who had NSLI or USGLI on the 5-year level premium term plan, the term of which expired while in active service after April 24, 1951, or within 120 days after separation from such active service, and in either case before January 1, 1957, may be granted an equivalent amount of such insurance upon application within 120 days after separation. The premium rate will be based on the applicant's then attained age. Evidence of good health will be required.

3.02 INITIAL CLERICAL PROCESSING

a. Upon receipt of [an application for insurance,] the following actions will be taken by the appropriate personnel:

(1) The applicant's insurance folder will be requested from the retired file of the appropriate FRC (Federal records center). (See M29-l, pt. I, par. 12.03.)

(2) The application will be indexed through BIRLS (Beneficiary Identification and Records Locator Subsystem).

(3) The application will be numbered.

(4) An acknowledgment will be released to the applicant.

b. The LMA (Lay Medical Approver) will review the application to see that the following requirements are met:

(1) Evidence of good health. (See M29-1, part V.)

(2) Monetary Requirements. The remittance must be sufficient to pay the initial premium for the amount and plan of insurance applied for. This may be paid direct, by an allotment from active or retired service pay or by deduction from VA benefits.

(3) Continuous Active Service. If eligibility cannot be determined from information on the application and the information required is not available in the insurance folder, a VA Form 29-150, Request for Service Information, in duplicate will be prepared and released to the appropriate service department.

3.03 APPROVED APPLICATIONS

a. When an application for replacement insurance is approved, the following input documents will be prepared to insert the account on the master record as a live account:

(1) VA Form 29-5896a, Life Input [ ], transaction type 000.

(2) VA Form 29-5891a, Address or Trailer Input, transaction type 001.

NOTE: If there is an existing account in force on the master record for the insured, the above documents will not be prepared.

(3) VA Form 29-8522, Policy, transaction type 002.

(4) VA Form 29-8523, Premium/TDIP, transaction type 003.

(5) VA Form 29-8528, Paid Dividend/Dividend History, transaction type 004.

(6) VA Form 29-8530, Life/Miscellaneous, transaction type 000, for policy issue and status. The policy and VA Form 29-5885, Information About Your Insurance, will be prepared and released to the insured by the computer system.

(7) VA Form 29-8529, RPO/Reinstatement/Status, transaction type 985, for the application of subsequent remittances by the Unassociated Remittance activity, if the initial premium was paid direct.

b. The LMA will stamp the application approved, enter as authority VA Regulation 3422 (NSLI) and VA Regulation 3086 (USGLI), sign and date in the stamped impression. The application will be filed in the insurance folder.

c. When the insured indicates that the initial or subsequent premiums are to be paid other than by direct remittance, the following will apply:

(1) If the application is being processed by the VA center, St. Paul and the initial premium was paid direct with subsequent premiums to be deducted from DFB (deduction from benefit) payments, or by allotment from active or retired service pay, that office will prepare VA Form 29-8522, transaction type 082 with a 951 callup to assure that the records will be transferred to the VA center, Philadelphia.

(2) If the application is being processed in the VA center, Philadelphia and premiums are to be paid by DFB payments, the appropriate personnel will:

(a) Prepare VA Form 29-5926, Request for DFB Action, to establish the deduction.

(b) Prepare VA Form 29-5707, Acknowledgment Request for Deductions from Benefit Payments, for release to the insured.

NOTE: These forms will also be prepared on cases transferred from VA center, St. Paul as provided for in subparagraph (1) above.

(3) When premiums are being paid by allotment and the amount of the allotment must be changed, a VA Form 29-547, Notice - Important Information About Your Insurance, will be prepared to advise the insured that the VA will adjust the allotment to the amount and effective date shown on the form.

(4) A VA Form 29-1588, Request for Allotment Deduction Change, will be clerically prepared and sent to the appropriate service department to effect the change.

3.04 APPLICATIONS HELD PENDING

a. When final action cannot be taken on the application for replacement insurance because additional information is necessary or the monetary requirements have not been met, input documents will be prepared to insert the account on tape with how paid code l. VA Form 29-8526, Pending Transaction, transaction type 008, will be prepared to assure proper control and, if applicable, VA Form 29-8529, transaction type 985, will be prepared for insertion of remittance(s) by the Unassociated Remittance activity.

b. A letter will be released advising the applicant to pay premiums while the application is pending.

c. If the replacement application is approved, it will be noted as provided for in paragraph 3.03b. VA Form 29-8523, transaction type 083, will be prepared to change the how paid code from l to the method of
payment selected by the insured. If the application is being processed in VA center, St. Paul and the account is to be transferred to the VA center, Philadelphia, VA Form 29-8522 will be prepared as provided in paragraph 3.03c(l) and subsequent action will be taken by VA center, Philadelphia as provided in paragraph 3 .03c(2).

3.05 DISAPPROVED APPLICATIONS

a. When it is necessary to disapprove an application, the LMA will stamp [it] DISAPPROVED, enter

the reason for the disapproval, sign and date. The application will be filed in the insurance folder.
b. A dictated letter will be sent to the applicant advising of the disapproval. The reason for disapproval must be included in the letter.

c. If there are any remittances to be refunded, the following actions will be taken:

(1) If the account is not on tape, the folder will be sent to the Unassociated Remittance activity with instructions for the refund.

(2) If the account is on tape, the necessary input documents will be prepared to delete any diaries, refund remittances, and purge the account from tape.

3.06 APPLICATIONS MEDICALLY REJECTED

a. When it is necessary to medically reject an application for replacement insurance,the LMA will:

(l) Prepare VA Form 29-4437, Underwriting Numerical Rating.

(2) Advise the applicant as to the reason why the application was rejected and that he or she or a duly authorized representative has the right to appeal the decision.

b. The rejected application may be used as an informal application for Service-Disabled Veterans' Insurance (RH). If it appears that the applicant may be eligible for the insurance, the following action will be taken by the LMA:

(l) If the application indicates that the veteran has a claim number, request the claims folder.

(2) If a VA Form 21-6796, Rating Decision, is filed in the claims folder, determine if the applicant is eligible for RH insurance.

(3) If the veteran is eligible, release a dictated letter of explanation. The veteran will be allowed 3l days to complete requirements for the RH insurance. If necessary, the letter will also request that payment for additional premiums must be submitted to pay premiums through the current month for the amount and plan of insurance selected.

(4) Release the following forms with the letter:

(a) The proper supplemental physical examination report in the VA Form 29-8100 series, if a special examination is needed.

(b) VA Form 29-4364, Application for National Service Life Insurance (RH) [ ], requesting the veteran to complete the first page and to sign at the bottom of part II, if RH insurance is desired.

(c) VA Pamphlet 29-9A, [Revised,] National Service Life Insurance Information and Premium Rates for RH Policies for Service-Disabled Veterans.

(d) If there is any indication the veteran may be totally disabled for insurance purposes, send VA Form 29-357, Claim for Disability Insurance Benefits.

(e) If a master record was not established, the application, VA Form 29-5895a, Pending Transaction Input Card[ADP], transaction type 078, will be prepared to update the callup date to 3l days from the date of the letter and change the diary message to PEND RH.

(f) If a master record was not established, the application will be sent to the (Insurance Files Section] to assign an RH number. When the application is returned, the necessary input documents will be prepared to establish a TEMPORARY MASTER RECORD under the RH number with a 31-day callup and the diary message PEND RH.

(g) If the veteran does not reply within the diary period, input will be prepared to delete the diary, refund any remittances received and to purge either the TEMPORARY MASTER RECORD under the RH or the original master record, established under the V number for the replacement insurance.

c. If the applicant's records do not indicate a claim number or if the claims folder does not provide any evidence that the veteran's disability is service connected, a dictated letter will be sent to the veteran. The letter will explain that if he or she has a disability which is rated as service connected that he or she may be eligible to apply for the RH insurance. The forms and information provided in subparagraphs b(3) and b(4) above, will be enclosed with the letter.

3.07 APPLICATIONS FOR RH INSURANCE RETURNED

a. If the veteran meets the requirements for RH insurance, the effective date of the RH policy will be the effective date of the replaced term insurance had that application been approved.

b. The LMA will stamp the application approved, enter VA Regulation 3511 as the authority, sign and date in the stamped impression.

c. If a master record was previously established for the replacement insurance as how paid code 1 and is subsequently disapproved, the LMA will take the following action to insert the RH as a live account under the file V number with the following input documents:

(1) VA Form 29-8522, transaction type 002.

(2) VA Form 29-8523, transaction type 003.

(3) VA Form 29-8527, Accounting Control, transaction type 099, reason code 07, to purge the how paid 1 account.

(4) VA Form 29-8530, transaction type 000, for issuance of the policy and status.

d. If a TEMPORARY MASTER RECORD was established with an RH number, a VA Form 29-8522, transaction type 022 will be prepared to turn the account live and remove the diary message.

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CHAPTER 4. MEDICAL REINSTATEMENTS

4.01 GENERAL

a. The Medical Determination Section will process the following reinstatement applications:

(1) VA Form 29-352, Application For Reinstatement (Medical). This application is used for term and permanent plans of insurance when the policy has been lapsed for more than 6 months and the age of the applicant is over 50 on the date of reinstatement, or the insurance has been lapsed for more than l year regardless of the age of the applicant.

(2) VA Form 29-353a, Application For Reinstatement (Nonmedical Insurance Age 50 And Under). This form is for term or permanent plans of insurance which have been lapsed for more than 6 months, but not more than 1 year, and the insurance age on the date of reinstatement is 50 or under.

b. The following applications, normally processed in the Policy Service Section, will be sent to the Medical Determination Section when the application is signed by an incompetent applicant, or when it is necessary to develop medical evidence:

(1) VA Form 29-353, Application For Reinstatement (Nonmedical Comparative Health Statement.)

(2) VA Form 29-389e, Notice of Past Due Payment.

c. Additional rules and regulations for processing applications for reinstatement are found in M29-1, part 1, chapter 3, subchapter 2 and chapter 20. The procedures for development of medical evidence are provided for in MP-1, part V.

4.02 INITIAL PROCESSING OF APPLICATIONS

a. When an application for reinstatement is received in the Medical Determination Section, the LMA (Lay Medical Approver) will review the application to determine if all medical and monetary requirements for reinstatement have been met.

b. Generally, basic records are received with the application. However, if they are not, the necessary records will be requested. If processing of the application is to be delayed pending receipt of insurance records, a FL 29-263, Postal Card Acknowledgment, will be prepared and released to the applicant.

4.03 SYSTEM PROCESSING OF REINSTATEMENTS

a. When it has been determined that an application for reinstatement is acceptable, it will be reviewed to determine if the case can be processed automatically by the system. The application must be processed clerically if any of the following conditions exist:

(l) 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 limited payment life or TDIP.

(7) The reinstatement is for the insurance only and a TDIP segment is on the master record.

(8) The reinstatement is for TDIP (Total Disability income Provision) only.

(9) Reinstatement of an account on extended insurance with TDIP.

(10) Reinstatement of 5-LPT and TDIP. Date of lapse on TDIP and insurance were different, or TDIP segment is not on the master record.

(11) Part of the reinstatement cost is paid by a new loan or by a dividend adjustment for prior years.

(12) There is insufficient money to reinstate both the insurance and the TDIP or to reinstate any pay premiums on both the insurance and the TDIP same next month due.

(13) Applications involving related actions; i.e., loan, conversion, reduction, etc.

b. if none of the above conditions exist, VA Form 29-8529, RPO/Reinstatement/Status, transaction type 980, will be prepared to initiate automatic processing by the system. When this input is used, the system will automatically create a tape image for the policy involved and establish a diary containing the information as shown on the input. The diary is automatically deleted when the reinstatement is processed. in addition, the system will:

(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 balances as of the date of lapse.

(4) Reverse the reserve accounting.

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

(6) Update the master record and generate VA Form 29-5885, information About Your Insurance, with appropriate paragraph(s) to advise the insured of the reinstatement and the benefits of changing the dividend option to credit, if this has not been accomplished.

c. If the computer system is unable to process the reinstatement or the reinstatement is processed but additional clerical action is necessary, a 29-5886b, insurance Record Print-Out (RPO), will be generated with a reason code in the RXX Series. Clerical action will be taken as indicated by the reason code.

d. If an RPO is received with reason code 969, indicating that the computer system has processed the reinstatement but has not released status, action will be taken as follows:

(1) VA Form 29-8529, code 9 will be prepared as input. This will cause the computer system to generate a VA Form 29-5885 for release to the insured, or

(2) If more than routine status is required, a dictated or other appropriate letter will be prepared. if the beneficiary designation segment on the related RPO is blank or zero, a VA Form 29-336, Designation of Beneficiary and Optional Settlement, will be enclosed with the form or dictated letter, as appropriate.

e. If the reinstatement has been processed but additional reason codes prevent automatic release of status, clerical action will be taken to:

(1) Prepare and release VA Form 29A486, Notice of Reinstatement, to the insured.

(2) Enclose VA Form 29.336 and/or VA Form 29-5948, Important Reminder About Dividend Credit Option, as required.

If more than one policy is on the master record, 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. VA Form 29-8526, Pending Transaction, transaction type 098, will be prepared to delete the remittance. The remittances will be reinstated as separate pending transactions for each policy number involved. Transaction type 008 will be used to reinsert the separate amounts. All input documents for these transactions must be inserted on the same processing day number.

4.04 CLERICAL PROCESSING OF REINSTATEMENT APPLICATIONS

a. Account on the Master Record-5-Year Level Premium Term Plan; or Permanent Plan Which is Other Than How Paid 4. When clerical preparation of input is needed to manually reinstate a 5-year level premium term policy or a permanent plan which has not been placed on extended insurance, (how paid 4), the following input documents, as applicable, will be prepared:

(1) VA Form 29-8523, Premium/TDIP, transaction type 083, to update the premium segment, adjust the accounting controls and lift the policy freeze.

(a) If a participating 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's dividend can be paid by the computer system. Enter the number of months not due for the period year only. (See subpar. a(3) below).

(c) If 2-term periods are involved and the dividend for the prior year has not been paid, enter the number of months not due for the current dividend year, and authorize the prior year's dividend manually.

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

(e) If a credit, available on a permanent plan is not sufficient to pay all the premiums due, plus interest, and the shortage is more than the 5 cents which may be waived, but is not more than 30 percent of a monthly premium, pay the interest in full and leave the shortage in the premium control account.

(2) 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 to reinstate a reduced amount of insurance. Care should be exercised to avoid an overpayment when inserting the dividend year and authorizing any prior year dividend as the computer system does not update the dividend year at the time of final lapse action even though it does establish a pending transaction.

(3) VA Form 29-8526, 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:

(a) Reinstatement involves 2 dividend years.

(b) First year dividend is not paid.

(c) Missing months for second year's dividend must be entered after the first year's dividend is paid.

(4) VA Form 29-8526, transaction type 098, to delete pending transaction(s). This could include a pending dividend transaction type 626, established at time of lapse, as well as reinstatement remittance(s). Delete only the remittance(s) needed in the reinstatement action, and permit the automatic posting routine to process any subsequent remittances.

(5) 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. Transaction type 084 will be prepared if the segment is already in the master record.

(6) VA Form 29-8531, TDIP, transaction type 007, to insert the TDIP segment on tape. Transaction type 087 will be prepared to update the TDIP segment if the TDIP segment is on tape.

(7) VA Form 29-8528, Paid Dividend/Dividend History, when dividends are authorized.

(8) VA Form 29-5934, Change of Address for insurance Purposes, when it is necessary to change the address.

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

(10) if it is necessary to post a term policy beyond the renewal date and the renewal is effected clerically, VA Form 29-483, Certificate of Renewal, will be clerically prepared and released.

b. Account on the Master Record-Permanent Plan-How Paid Code 4. When it is necessary to clerically reinstate a permanent plan policy which is on tape as a how paid code 4, the following input documents, as applicable, will be prepared:

(1) VA Form 29-8523, transaction type 043, to update the premium segment, adjust control accounting and to lift the policy freeze.

(a) Record any shortage or overage which existed at time of lapse, unless the shortage is paid or the overage is used at time of reinstatement. The shortage may be obtained from the VA Form 29-389c-1, Notice of Extended Term insurance in the folder.

(b) if the credit available for reinstatement 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 30 percent of a monthly premium, pay interest in full and leave the shortage in the premium control account.

(2) VA Form 29-8522, transaction type 022, if the full amount of insurance is reinstated, or, transaction type 032, if a reduced amount of insurance is reinstated. if the account is participating, change the DIVIDEND MONTHS NOT PAID to 00, insert the correct dividend rate; adjust the prior dividends paid; and enter the date of reinstatement.

c. Account Not on the Master Record. if the application is acceptable for processing and the account is not on tape, the account must be inserted on the master record as it appeared on the date of lapse. This will be accomplished by the LMA using the following input documents:

(1) VA Form 29-5891a, Address or Trailer input, transaction type 001.

(2) 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.

(3) VA Form 29-8522, transaction type 002.

(4) VA Form 29-8523, transaction type 003.

(5) if the policy is participating, VA Form 29-8528, transaction type 004.

(6) VA Form 29-8531, transaction type 007, to reinstate TDIP segment, if any.

(7) VA Form 29-8530, transaction type 080, when it is necessary to enter the social security number on the master record.

NOTE: If the application is remittance bearing, VA Form 29-8529, transaction type 985, will be prepared for insertion of the remittance(s) by the Unassociated Remittance activity. After insertion of the pending remittance(s), the RPO will be routed back to the Medical Determination Section for the updating of the account.

4.05 DISAPPROVED AND/OR MEDICALLY REJECTED APPLICATIONS

a. When an application is disapproved and the account is not on tape, the LMA will take the following action:

(1) Annotate the application *DISAPPROVED* and include the reason, date and initial.

(2) File the application in the insurance folder.

(3) Notify the applicant of the disapproval and the reason for the action.

(4) Forward the insurance folder to the Unassociated Remittance activity for the refund of remittance(s).

b. When an application is disapproved after the account has been inserted on tape, the LMA will take the following action:

(1) Prepare VA Form 29-8526, transaction type 098, to delete the pending transaction.

(2) Prepare a VA Form 29-8527, Accounting Control, transaction type 099, to delete the master record from tape.

(3) Take action as provided in subparagraphs a(l) through (4) above.

c. When an application has been medically rejected, the following action will be taken:

(1) If the account has been inserted on tape, prepare input as provided in subparagraphs b(1) and (2) above, to delete the account.

(2) Prepare VA Form 29A437, Underwriting Numerical Rating.

(3) Send a dictated letter to the veteran advising as to the reason why the application could not be accepted. The veteran will also be informed of his or her right to appeal the decision. If the applicant is eligible to reinstate after a prescribed waiting period, reapplication rights will also be included in the letter.

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Chapter 5. CHANGE OF PLAN (MEDICAL)

5.01 GENERAL

a. A permanent plan policy in force, under premium paying conditions may be exchanged from a higher to a lower reserve value, or a lower to a higher reserve value sublet to certain restrictions and requirements.

b. A VA Form 29-1549, Application for Change of Permanent Plan (Medical) will be processed by the medical determination section. This form must be used by the insured whenever a change of plan is made to a policy having a lower reserve value.

c. A VA Form 29.1550, Application for Change of Permanent Plan (Nonmedical) must 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.

d. 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 and the request for a change to a policy with a lower reserve NSLI (National Service Life insurance) or USGL (U.S. Government Life Insurance) the insured must also furnish a complete examination report. If the change is to a higher (NSLI only) the insured must also furnish a signed statement certifying that he or she is not totally disabled.

e. Additional rules and requirements for processing applications for change of plan on NSLI and USG policies are found in M29-1, part l chapter 19. The procedure for development of medical evidence are provided for in M29-I, part V.

5.02 INITIAL PROCESSING OF APPLICATIONS

a. When VA Form 29-1549 is received in the Medical Determination Section, the LMA (Lay Medical Approver) will review the application to determine if all the medical and monetary requirements have been met.

b. If any additional evidence such as medical evidence or data is necessary for determination of eligibility, the insured will be given an opportunity to withdraw the application for the change of plan requested on the original application.

c. When supplemental information is necessary before approval of the application can be made, a VA Form 29.5895a, pending Transaction input, or VA Form 29.8526, Pending Transaction, transaction type 008 or 078, win be prepared to insert or change a diary.

5.03 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:

(I) Policy prefix is J, JR, JS or

(2) Reserve value is split; i.e., part applied to loan and part to pay premiums or part to pay premium and part to be refunded, etc.

(3) How Paid Code is 0 or the account is on 724 waiver.

(4) How Paid Code is 2 or 4 and the mode is 0.

(5) More than two policies.

(6) Exchange of TDIP (Total Disability Income Provision) Age 60 for TDIP Age 65.

(7) Master record indicates the insured is incompetent.

(8) TDIP option 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 paidup 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) The policy contains paid-up additions and the plan is being changed from an endowment plan to a limited pay life plan, and the difference in reserve between the paid-up endowment and paid-up whole life additions is paid in cash; or applied to pay premiums or applied toward a loan.

(12) An endowment plan with paid-up additions is being changed to another endowment plan.

(13) An endowment plan is changed on the date of maturity.

b. If none of the above conditions exist, a VA Form 29-8520, Underwriting, will be prepared. When this input is processed, 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 ilk 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 lien

(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 (RPO), reason code 008, for clerical release of lien letter

(7) Establish a 6091609 pending transaction for the refund of the difference in reserve and insert a frozen diary message for dividend adjustment. Clerical processing is necessary to deduct the dividend overpayment from the difference in reserve refund and to cause the disbursement of the balance.

NOTE: If program logic determines that only a dividend adjustment is necessary, the system will insert a dividend adjustment diary and generate a RPO for clerical processing.

5.04 CLERICAL PROCESSING OF APPLICATIONS

a. When the system cannot process an application for a change of plan of insurance, the following input documents will be prepared:

(1) VA Form 29-8522, Policy, transaction type 022, to effect policy changes.

(2) VA Form 29-8523, Premium/TDIP, transaction type 053, to insert or change premium status, how paid code and mode in the master record.

NOTE: VA Form 29-8522, and VA Form 29-8523 and related inputs and must he inserted consecutively.

(3) VA Form 29-8527, Accounting Control, transaction type 089, to effect miscellaneous accounting action.

(4) VA Form 29-8526, transaction type 098, to delete pending transactions and/or diary messages.

(5) 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 input, the following forms, as applicable, will also be prepared:

(l) VA Form 29-8528, Paid Dividend/Dividend History, when dividends are adjusted.

(2) VA Form 29-5934, Change of Address for insurance Purpose, if address is to be changed.

(3) VA Form 29-8525, Dividend/Loan/Lien, transaction type 004, [005, 006,] 084, [085, or 086] to insert or make changes to the dividend credit/loan or lien segments or to adjust paid-up additions. VA Form 29-4459, Disposition of Dividends, or VA Form 29-l468b, Notice of Approval of Policy Loan, or a lien letter will also be released as applicable.

NOTE: If there is an outstanding loan at the time a change of plan from a higher to *a lower reserve value is made, the outstanding indebtedness, plus interest, must be checked against the maximum loan value available on the new contract as of the effective date of change. If the maximum loan value on the existing plan is greater than that available on the new plan, the existing loan must be reduced to an amount which will not exceed the loan value available on the new plan. The reserve credit will be used to reduce the loan balance incident to the change.*

(4) VA Form 29-8531, TDIP, transaction type 007 or 027 to insert or change data in the TDIP segment in the master record. When transaction type 027 is used, the control sort field should be completed to assure proper sequence of input 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, or by allotment from service department active or retirement pay, 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 Philadelphia VA center.

5.05 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) 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, Revised, [Section III,] Table 1, (Paid-up 20 PL and 30 PL policies).

(b) Pay a single premium for premiums in advance to age 65 using the discounted (PV) rate (paid-up policy).

(c) Provide for premium payments to age 65.

(2) Cancel the TDIP.

(3) If under 60 years of age, continue the age 60 rider.

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 is if total disability or death should occur before 65 years of age, premiums which have been paid under 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 Total Disability Income Provision, for completion and return.

f. After a limited payment life contract becomes fully paid-up, the insured may change the plan to one with a lower reserve value under the NSLI program, provided all requirements are met. Also, if the paidup limited payment life policy had TDIP attached which was also paid-up when the plan was changed, the TDIP will be continued on the new plan as a fully paid-up rider.

g. In the case of a maturing endowment, [ ] the folder will be referred to the Actuarial Staff (299), VA center, Philadelphia, for calculation of the TDIP premium and reserve, if any.

h. If TDIP is to be added at the time the plan is changed, the effective date of the TDIP will be the last premium due date.

i. 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 O in the TDIP code of 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 purge the TDIP segment from tape.

5.06 MATURING ENDOWMENTS

a. Six months prior to maturity date of an NSLI endowment policy, which is in force by the payment of premiums, VA Form 29-[8694], Information About (Reduction and Change of Plan], is automatically released to the insured by the system. This form offers the insured an opportunity to change the plan of insurance to provide continued protection, and to continue TDIP coverage, if in force, plus a refund of the difference in reserve.

b. All policies that mature as endowments are paid in a lump sum, without prior election by the insured. However, if the amount payable is more than $2,500, the system will automatically release VA Form 29-5767, Matured Endowment Notification, 4 days prior to the maturity date. This form advises the insured that proceeds of the endowment may be made under installment payments and that if payment other than lump sum is desired, the check for the endowment proceeds should be returned for cancellation. On the reverse of the form, the insured may designate a beneficiary to receive the unpaid guaranteed installments at the time of his or her death.

c. Additional rules and requirements for processing matured endowment accounts are found in M29-1, part I, chapter 11 and M29-1, part II, chapter 10.

d. Formal applications with regard to a change of plan on matured endowment accounts will be processed by the LMA as follows:

(l) If an application is received *before* the endowment maturity date, the following action will be taken:

(a) Immediately prepare the appropriate input to insert a frozen pending diary.

(b) If supplemental information is necessary, release a letter to the insured and, as applicable, allow 31, 60 or 90 days from the date of the letter to furnish the requested requirements.

(c) Upon receipt of the supplemental requirements or at the expiration of the delimiting date of the policy, take final action as outlined in paragraph [5.03] or [5.04].

(2) If an application is submitted *before* the maturity date, or action date, but *after* the release of VA Form 29-5767, Matured Endowment Notification, the following action will be taken:

(a) Immediately prepare the appropriate input to insert a frozen pending diary.

(b) Release a letter to the insured giving information on the change of plan requested as opposed to receiving payment of the endowment proceeds so as to further clarify the applicant's desire for the change. Also advise that if a reply is not received within 15 days from the date of the letter, the matured endowment will be processed.

(3) If an application is submitted *before* the maturity date, but it is received *after* the maturity or action date, the LMA will:

(a) Review the application thoroughly to assure that there is no obvious reason to prevent approval of the requested change.

(b) Contact the Finance [activity] by telephone to stop payment(s) of the award. Confirmation of this action will be made by a memorandum and signed by the unit supervisor.

(c) If the above action is too late to stop payment, and there is no obvious bar to approval of the change, a letter will be sent to the insured advising that the check received for the matured policy should be returned to the VA within 15 days from the date of the letter. The insured should be further advised that return of the payment and submission of any medical required evidence does not assure the change of plan requested will be approved. Also, instruct the insured to return the Treasury check, or other repayment of the matured endowment proceeds, with the copy of the letter to the agent cashier.

e. An inquiry, signed by the insured or an authorized representative, which either directly states or implies interest in a change of plan, postmarked during the final premium month of the endowment period, will be considered an informal application for a change of plan. Informal applications will be processed as follows:

(1) Prepare the appropriate input to insert a frozen pending diary.

(2) Release a letter to the insured with VA Form 29-1549, identifying the form as *SUPPLEMENTAL* in the right margin on the face of the form. The letter should allow the insured 31, 60 or 90 days, as applicable, to return the completed form. The letter should also include the statement that submission of the application does not, in itself, assure approval.

f. When all the requirements are met and the application for the new plan of insurance is approved, the following input documents will be prepared to insert the new plan of insurance on tape:

(l) VA Form 29-5891a, Address [or] Trailer Input, transaction type 001.

(2) VA Form 29-5896a, Life Input, transaction type 000.

NOTE: If the insured has an existing account other than the matured contract which has been purged, the above input documents will not be prepared.

(3) VA Form 29-8522, transaction type 002, to insert the new policy segment.

(4) VA Form 29-8523, transaction type 003, to insert premium status.

(5) [VA Form 29-8528, transaction type 004, to insert paid dividend/dividend history (participating policies only).]

[(6)] Prepare VA Form 29-328, Underwriting Worksheet.

[(7)] Prepare the necessary input documents to reverse all accounting actions including the debit to MCP (matured contracts payable) 13, that were taken at the time the matured plan policy was purged and the award record established. The required information for these documents will be available from the transaction history list as well as the MCP record printout and the VA Form 4-5851, Insurance Award Statement, filed in the insurance folder.

[(8)] VA Form 29-8526, transaction type 609, with callup code type 609, to refund the difference in reserve, if any.

NOTE: If, for some reason, the refund cannot be made by the preparation of the above input, prepare VA Form 4-706, Notice of Refund and Refund Worksheet, for off-tape refund.

[(9)] If a memorandum was previously sent to the Finance [activity] as outlined in subparagraph d(3)(b) above, a subsequent memorandum will be sent to that [activity] advising them to delete the endowment contract from the award tape, as a change of plan has been effected in lieu of payment of the matured proceeds.

5.07 DISAPPROVED APPLICATIONS

a. 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:

(1) The application will be noted *DISAPPROVED,* and the reason for disapproval, date and last name of the LMA taking action will be inserted. The disapproved application will also be stamped Ready for File, signed, dated and filed in the insurance folder.

(2) The applicant will be notified of the action taken and advised of [the] reason for disapproval.

(3) If the application is rejected because the applicant failed to meet health requirements as outlined in M29-1, Part V, a VA Form 29-4437, Underwriting Numerical Rating [ ], will be prepared. In this instance, in addition to advising the applicant of the reason for disapproval, the veteran will be advised that he or she or an authorized representative has the right to appeal. When possible, the applicant will also be informed that reapplication may be favorably considered after a waiting period, provided the insurance will not have matured in the interim.

b. If the application being disapproved is for a change of plan on a matured endowment policy, the following actions will be taken in addition to those outlined above:

(1) If a memorandum was previously sent to the Finance [activity], as described in paragraph [5.06] d(3)(b), a followup memorandum will be sent to that activity to advise them to reauthorize the recovered endowment payment(s) and/or to resume installment payments.

(2) If the matured endowment account is still on the insurance master record, and the pending frozen diary was inserted by the Medical Determination Section, prepare the proper input document to lift the freeze which will allow the system to routinely process the matured endowment account.

5.08 WITHDRAWAL OF APPLICATION

a. When a properly signed request for withdrawal or for a permissible plan or amount, other than stated in the original acceptable application for change of plan, is received in the VA, or 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.

b. Acceptable requests for withdrawals will be processed by the LMA as follows:

(1) If the original application has not been processed, it will be approved and the insured advised.

(2) If the original application was processed from a higher to a lower reserve plan and there is no evidence to indicate that the check for the difference in reserve has been mailed, contact the Finance Division to stop payment. If the check can be withheld, the change of plan will be canceled and the contract restored to its status prior to the change and the insured will be notified of the action taken.

(3) If the check has been mailed, the insured will be informed that the request for withdrawal of the application for change of plan may be granted, provided the check is returned or that a check in an equivalent amount is remitted within 15 days from the date of the letter; otherwise, the change of plan will remain in effect. Upon receipt of the Treasury Department or replacement check, action will be taken to restore the previous contract. The insured will be advised of the action taken.

(4) If a matured endowment contract is involved and the check for the proceeds was withheld, a VA Form 29-462, Authorization for Insurance Payments, will be prepared and forwarded to the Voucher Audit activity for review. The insured will be advised that the check for the proceeds of the endowment will be forwarded under separate cover.

5.09 PAID-UP ADDITIONS

a. When dividends are used to buy paidup 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 whole life additions on a permanent plan policy (other than endowment)and the policy is changed to an endowment plan, the paid-up whole life additions may be retained; changed to paid-up endowment additions in a lesser amount; or changed to paid-up endowment additions in the game amount by payment of the difference in reserve.

c. When dividends are used to buy paid-up endowment additions on an endowment policy and the policy is changed to another permanent plan (other than endowment), the difference in reserve between the paid-up endowment and paid-up whole life additions may be paid to the insured in cash, applied to premiums, or applied to an outstanding loan.

d. 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. If the plan is changed to an endowment plan with a lower reserve, the difference in reserve on the paid-up endowment additions may be paid to the insured in cash, applied to premiums or applied to an outstanding loan. If the plan is changed to a higher endowment plan, 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 6. CANCELLATION, FRAUD OR FORFEITURE

6.01 GENERAL

a. A cancellation is the action taken to invalidate an insurance contract and/or the TDIP, (Total Disability Income Provision) or to nullify a reinstatement or a contract change, such as conversion, renewal, or change of plan.

b. Cancellation of the TDIP will be accomplished as prescribed in this chapter except when it is at the request of the insured.

c. Cancellation is based on a determination that no protection was afforded under the limitations of 38 U.S.C. and VA regulations or that protection was forfeited by reason of fraud on the part of the applicant. Generally, the following conditions form the basis for cancellation of a contract:

(1) Application withdrawn before the effective date requested.

(2) Death before effective date requested.

(3) More than $10,000 insurance in force.

(4) Evidence that payment of initial premium was invalidated (such as check returned after redeposit).

(5) Satisfactory evidence that the insured was misinformed regarding the application for conversion, renewal, change of plan, or other insurance privileges.

(6) A statement from the insured indicating that he or she misunderstood the age 50 limitation on contracts exchanged for convertible term insurance.

(7) Evidence of administrative error.

(8) Fraud in procuring the contract.

(9) Insurance forfeited under 38 U.S.C. 711.

(10) Fraudulent enlistment, when it is determined that the insured was mentally or legally incapable of entering into a contract of enlistment.

(11) Applicant not a member of the Armed Forces.

6.02 FRAUD

a. The elements of fraud insofar as they concern contracts for life insurance are a false representation in reference to a material fact made with the knowledge of its falsity and with the intent to deceive, with action taken in reliance upon the representation.

b. All cases involving a question of fraud in application for insurance, TDIP, reinstatement or change of plan will be referred to ICS (Insurance Claims Section) through the Section Chief for development and determination. Any correspondence received while a fraud decision is pending will be referred to that section.

c. Formal decisions as to fraud will be prepared by ICS on VA Form 29-808, Decision of Insurance Claims, and returned to the Medical Determination Section with a memorandum for the appropriate action.

d. A fraud decision will be the authority for canceling the insurance and/or TDIP or the authority for
- canceling other actions taken and restoring the insurance to its status prior to the date the contract was determined to be fraudulent.

e. A VA Form 29-328, Underwriting Worksheet, will be prepared to make a record of the cancellation. The authority for the cancellation will be shown under Remarks as: FRAUD DECISION DATED (date) RENDERED BY ICS.

f. A letter of cancellation or disapproval will be sent to the claimant by certified mail. The letter will include such information as:

(l) Date of the fraud decision.

(2) Date of cancellation of the contract.

(3) Amount to be refunded and all other pertinent accounting information.

g. In addition to the above information, in each case, the letter will include the following paragraphs:

(1) Any new evidence which you believe would justify a different decision should be sent to us promptly. If you have no further evidence but believe the decision is not correct, you may initiate an appeal to the Board of Veterans Appeals by filing a notice of disagreement at any time within 1 year from the date of this letter. A notice of disagreement is simply a written communication which makes clear your intention to initiate an appeal and the specific part of our decision with which you disagree. The notice of disagreement should be sent to this office. In the absence of a timely appeal, this decision becomes final.

(2) If you appeal and the appeal is allowed, your insurance will be considered to have been inforce from the date of your original application and the cost of this protection should be paid as soon as possible after you are informed of a favorable decision by the Board of Veterans Appeals. The failure to pay for the insurance coverage thus established will create an interest bearing lien that will constitute an indebtedness to the United States, such lien is subject to the usual collection procedures. When an appeal involves a change or addition to insurance currently in force, you should continue to pay premiums on the existing contract to avoid lapse of your present policy while your -appeal is pending. You will be advised of any monetary adjustments when the final decision is made on your appeal.

NOTE: A notice of disagreement postmarked before the expiration of the 1 year period will be accepted.

h. If an expression of dissatisfaction or disagreement in writing (this is a notice of disagreement) is received, it will be acknowledged and action taken as outlined in chapter 7.

i. If fraud is found to exist while processing an application for insurance, conversion, change of plan, TDIP, or reinstatement, the application will be disapproved.

j. If after an approval of any of the above applications, it is determined that fraud was involved and the record is on tape, the following actions will be taken:

(l) Application for insurance-Prepare input to purge the contract from the master record as of the effective date.

(2) TDIP-Prepare input to delete the TDIP only from the master record as of the effective date of the TDIP.

(3) Conversion-Prepare input to purge the permanent plan from the master record and to restore the term

plan to its status prior to the conversion.

(4) Change of plan-Prepare input to purge the new plan from the master record and restore the old plan to its status prior to the change.

(5) Reinstatement-Prepare input to restore the account to its prior status prior to the date fraud was found to exist.

k. Refund to premiums involved in a case of fraud will be as follows:

(1) Premiums paid before the date of the fraud decision for any period within 2 years from the effective date established by the fraudulent action, which are earned, ARE NOT subject to refund. Premiums paid before the date of fraud decision for any period subsequent to 24 months after the effective date established by the fraudulent action, which are earned, ARE subject to refund.

(2) Premiums paid before the date of the fraud decision which are unearned as of the date of the fraud decision are to be considered as suspense items and are subject to refund.

(3) Premiums paid on or after the date of the fraud decision are considered as suspense items and are subject to refund.

(4) Regardless of the date paid, overpayments and other items in suspense, not subject to posting, are subject to refund.

NOTE: Suspense items are not subject to setoff without the permission of the insured.

(5) All refunds will be computed based on their present value and without interest. In those cases when one remittance covers a period for which premiums will be retained and also covers a period for which premiums will be refunded, the amount of the remittance to be refunded will be calculated by subtracting

the present value of all premiums to be retained from the present value of all premiums covered by the remittance.

l. The amount of any loan, dividend total disability income, difference in reserve on a change of plan from a higher to a lower reserve, or other payment which would not have been disbursed except for the fraudulent act will be deducted from any premiums subject to refund. If the fraud was committed in connection with an application for TDIP only, deduction of any disability benefits which have been disbursed erroneously may be made only from premiums tendered for disability income coverage which are subject to refund.

m. When the full amount of moneys has been erroneously disbursed and because of the fraudulent action cannot be collected from the premiums subject to refund, an insurance overpayment indebtedness lien will be established to cover the difference. If such difference covers an erroneously disbursed loan, the transfer of moneys within the control accounts will be taken by debiting the lien principal control account and crediting the loan principal account by the amount of the outstanding loan. Regular collection of indebtedness procedure will be followed where any lien is established.

n. When a policy is canceled because of fraud or when a conversion, change of plan, or reinstatement is canceled within 2 years from the effective date established by the fraudulent action, and there is a loan outstanding on that date, or on the date of the fraud decision, action will be taken as follows:

(1) If the loan was granted on or after the date on which the fraudulent action occurred, the loan cannot be collected from the reserve. Although all premiums paid through the date of the fraud decision are retained, such premiums cannot be regarded as setting up reserve. The loan will be liquidated by debiting the lien principal control account and crediting the loan principal account by the amount of the outstanding loan. The outstanding loan is the amount of the loan with interest to the last anniversary date of the loan before the date of the fraud decision. The transfer of moneys will be indicated on the VA Form 29-328. The policyholder will be requested to reimburse the VA for the amount of the outstanding loan and notified that if such amount is not paid within l year from the date of notification, interest will be charged on the indebtedness from the date on which it is established; that is from the notification date of the lien which is established to liquidate the loan.

(2) If the loan was granted before the date on which the fraudulent action in connection with a change of plan occurred, it will be necessary to adjust the loan account to reflect the same balance which existed immediately before the effective date of change established by the fraudulent action.

(a) If the outstanding loan balance is greater than the loan balance which existed immediately before the effective date of change, the lien principal control account will be debited and the loan principal account credited by the difference in the loan balance. The transfer of the amount required for this adjustment will be entered on the VA Farm 29-328. The policyholder will be requested to reimburse the VA for the amount required to make the adjustment and notified that if such amount is not paid within 1 year from the date of notification, interest will be charged on the indebtedness from its effective date.

(b) If the outstanding loan balance is less than the loan balance which existed immediately before the effective date of change, the difference in the loan balance will be subject to refund. The loan principal account will be debited and the cash account credited by the difference in the loan balances. This action will be entered on the VA Form 29-328.

(3) If a loan existed on a permanent plan contract at the time of lapse and a later reinstatement is canceled because of fraud, the loan account will be adjusted to reflect the same balance which existed on the date of lapse, and action taken as provided in subparagraph (2) above.

o. When a change of plan or conversion is canceled because of fraud, within 2 years from the effective date established by the fraudulent action, the amount of reserve credit paid to the insured or otherwise disposed of at the time a change of plan from a higher to a lower reserve value or a conversion was effected will be established as an insurance overpayment indebtedness. The policyholder will be notified of the amount and effective date of the indebtedness.

p. When moneys are deducted from premiums subject to refund, the purpose of the deductions will be clearly shown on the VA Form 29-328, so that distribution of moneys may be made to the proper control accounts. when a deduction is made to cover erroneously disbursed dividends, the years in which such dividends were earned must be indicated. When a lien is established for amounts erroneously disbursed, the control accounts involved must be clearly indicated on the VA Form 29-328.

6.03 FRAUDULENT ENLISTMENT

a. Under provisions of 38 U.S.C. and VA regulations, NSLI, and USGLI all contracts or policies issued, reinstated or converted are incontestable except for fraud, nonpayment of premiums, or on the ground that the applicant was not a member of the military or naval forces of the United States. However, discharge or release of an insured from military or naval service for the reason of fraudulent enlistment does not invalidate insurance issued on the basis of such service, unless the Administrator determines that the insured was mentally or legally incapable of entering into a contract of enlistment.

b. When there is an indication that an insured has been discharged or released because of a fraudulent enlistment, the facts will be fully developed. VA Form 29-150, Request for Service Information, will be prepared for the appropriate service department. The form will contain a brief resume of the information needed. This form will be prepared in duplicate for all service departments except for the Navy, in which case the form will be prepared in triplicate. The original, or for the Navy original and l copy, will be detached. The extra copy will be filed in the insurance folder. If no reply is received within 60 days, a second VA Form 29-150 will be sent. If a reply is not received within 60 days of the second request, a dictated letter will be sent.

c. If the facts disclose that a mental disability existed, VA Form 07-3101, Request for Information, will be prepared and released to the appropriate service department, requesting all service medical records. If court-martialed, a copy of the proceedings and findings will be requested. After all the evidence has been assembled, the records will be given to the medical consultant for determination of the mental capacity of the insured to enter into a valid contract of enlistment.

d. If the medical consultant determines that the insured was mentally incapable of entering into a contract of enlistment, the entire file will be forwarded to the Chief, Program Management Division (290), VA center, Philadelphia, for the determination to be confirmed before action is taken to cancel the insurance. If it is

determined that the insured was mentally capable of entering into a contract of enlistment, the insurance will not be canceled.

e. When the facts do not disclose that a mental disability existed, the evidence will be noted to the effect that the insurance is not subject to cancellation because of fraudulent enlistment. The notation will be initialed and dated by the LMA (Lay Medical Approver). The evidence will be filed in the insurance folder.

f. When the facts indicate that the insured was legally incapable of entering into a contract of enlistment, or the medical consultant has any doubt as to the action to be taken, the file will be forwarded to the Chief, Program Management Division (290), VA center, Philadelphia, for determination regarding validity of the enlistment.

g. When it is necessary to cancel insurance for fraudulent enlistment, a VA Form 29-328 will be prepared for record purposes. The remarks section will be noted: *FRAUDULENT ENLISTMENT-LEGALLY (OR MENTALLY) INCAPABLE-VA REGULATION 3462.*

h. All moneys credited to the account including premiums paid and earned, less any dividend payment or indebtedness, will be refunded.

6.04 FORFEITURE UNDER 38 U.S.C. 711

a. Any person who is found guilty of mutiny, treason, spying, or desertion, or who, because of conscientious objections, refuses to perform service in the Armed Forces of the United States or refuses to wear the uniform of such service forfeits all rights to NSLI.

b. Generally, the service departments furnishes the VA with copies of the general or special court-martial orders of the approved findings of court-martials involving the situations as enumerated in the above paragraph. In Navy and Marine Corps cases, a memorandum over the signature of an official of the Navy is acceptable in lieu of a copy of the court-martial orders, provided such a memorandum contains sufficient date to make a determination as to whether the offense is one involving forfeiture of all rights to insurance.

c. If upon receiving copies of the general or court-martial orders, a determination as to whether the offense was one involving forfeiture of insurance cannot be made, a VA Form 29-150 will be prepared in duplicate for all service departments, except the Navy, in which case the form will be prepared in triplicate. The original, or in the case of the Navy, original and duplicate, will be forwarded to the service department concerned. The extra copy prepared will be filed in the insurance folder.

d. In addition to filling out the form with the required information, the following statement will be added: Court-martial offense indicated. Furnish report of charges, findings, sentence of court-martial, and, if restored to duty, the date of restoration. If not court-martialed, furnish disposition of the offense.

e. When a member of the Armed Forces has been discharged under other than honorable conditions by reason of desertion, trial deemed inadvisable, it will be necessary to know whether the deserter was returned to military control and whether his or her whereabouts is known. These questions, if relevant, will also be included on VA Form 29-150.

f. If a reply is not received within 60 days, an original VA Form 29-150 will be prepared with the notation, *SECOND REQUEST* entered on the top of the form. The file copy will be noted that a second request has been released and the date of the second request. When the original is received, the file copy will be destroyed in accordance with Records Control Schedule VB-l. If a reply is not received within 60 days of the second request, a dictated letter will be prepared for release to the service department.

g. When the question of forfeiture is involved, but the insured has not been found guilty of one of the exact offenses set forth in 38 U.S.C. 711, the case with a current VA Form 29-

5886b, Insurance Record Printout (RPO), for each account will be sent to the Chief, Insurance Program Management Division (290), VA center,
- Philadelphia, for a determination.

h. When the court-martial orders and/or VA Form 29-150 or other evidence indicates that conviction was for an offense cited in 38 U.S.C. 711, and if the effective date to be established in connection with the pending application precedes the date of the offense, and all requirements in connection with such application have been met, the application will be processed before the case is forwarded for determination regarding forfeiture.

i. When all the evidence required in connection with the offense has been received, the insurance folder with the pertinent material will be sent to the Chief, Insurance Operations Division, or a designee, for a determination as to whether the rights to the insurance have been forfeited. If the evidence in the court-martial orders and/or VA Form 29-150 or other sources establishes that there is no forfeiture, the complete file of evidence and pending application or claim, if any, will be stamped with the following notation, signed, dated and filed in the insurance folder: NOT MADE INELIGIBLE BY TITLE 38 U.S.C. 7.11 DATE_____ SIGNATURE______ The folder will be returned to file. If forfeiture is in order, all basic records including the original application(s) pertaining to the insurance contract(s) involved will be stamped with the following impression and signed and dated in the space provided: INSURANCE FORFEITED TITLE 38 U.S.C. DATE________SIGNATURE _______. The folder with the pertinent material will be returned to the LMA for the appropriate action.

j. Upon receipt of the insurance folder, the LMA will take the following action as determined by the date the offense was committed and the date the application was submitted:

(1) If the account is on tape, the necessary input documents will be prepared to purge the master record. Disposition of premiums will be governed by the following:

(a) Premiums paid before the date of commission of the forfeiture offense or before the date of execution, which are earned are not subject to refund.

(b) Premiums paid on or after the date of commission of the forfeiture offense or date of execution are subject to refund.

(c) Regardless of the date paid, overpayments and pending items, not subject to posting, are refundable.

(2) Prepare VA Form 29-328 for each policy that is being forfeited and enter the following notation in the remarks: INSURANCE FORFEITED UNDER TITLE 38 U.S.C. 711 - The insurance will be canceled as of the date of the offense.

(3) If the pending application is for insurance, or a change thereto, and the effective date to be established is on or after the date of offense, it will be disapproved. However, if the application is for RH insurance which was submitted before the date of discharge by a person who after a forfeiture offense was restored to active duty under conditions which did not result in reimposition of the sentence or any portion thereof, the application, if otherwise acceptable, will be approved.

(4) If there was prior insurance which was surrendered for cash before the forfeiture offense, it may not be replaced or reinstated under 38 U.S.C. 781, even though, after the date of offense, the applicant was restored to active duty under conditions which did not result in reimposition of the sentence or any portion thereof. In such cases eligibility for insurance is limited to RH insurance (38 U.S.C. 722) and the applicant will be so advised.

(5) If there is a pending claim for disability insurance benefits of the insurance in force under 38 U.S.C. 712, the folder will be referred to ICS on VA Form 3230, Reference Slip, for the proper action. The reference slip will also contain a notation to the effect that VA Form 29-328 has been prepared and filed in the insurance folder.

(6) If the insurance being forfeited is for a permanent plan, extended term, or a paid-up contract, the reserve value on the date of cancellation will be paid to the individual whose insurance was forfeited, if living, under option 1, in accordance with the regular cash surrender procedure. If the person is deceased, the folder will be routed to the Death Claims activity for the determination of the proper payee.

6.05 DEATH INFLICTED AS LAWFUL PUNISHMENT FOR CRIME OR MILITARY OR NAVAL OFFENSE

a. When an insured is executed for a crime or a military or naval offense, except when inflicted by an enemy of the United States, the insurance proceeds of NSLI and USGLI are not payable. Only the contract values, if any, on the date of death are payable to the designated beneficiary(ies).

b. If there is any indication that the insured has been executed for crime or military or naval offense, the case will be fully developed. When a military court has jurisdiction, complete court-martial proceedings, including a report of execution, will be obtained. When a criminal court has jurisdiction, information as to the offense, decision of the court, and report of execution, will be requested.

c. When it is determined that the insurance proceeds are not payable, the report of execution, the court-martial orders or the decision of the criminal court and/or other evidence and all basic records in the insurance folder pertaining to the contract(s) involved, will be stamped with one the following impression, as appropriate, signed and dated in the space provided:

(1) For NSLI: INSURANCE FORFEITED TITLE 38 U.S.C. 711 DATE ______SIGNATURE _________

(2) For USGLI: INSURANCE FORFEITED TITLE 38 U.S.C. 754 DATE SIGNATURE________

d. A VA Form 29-328 will be prepared, for record purposes, with the following notation entered in remarks: DEATH INFLICTED AS LAWFUL PUNISHMENT FOR CRIME (OR MILITARY OR NAVAL OFFENSE). The appropriate reference as stated in subparagraph c(l) and (2)above, will also be inserted.

e. If there is any cash value due on the policy(ies) being forfeited, the RPO, if available, or VA Form 29-320, Request for Calculation, will be prepared and sent to the computer clerks in the Policy Service Section for computation. Calculation of the cash value will be requested as of the date of execution. The necessary input to purge the policy(ies) from the insurance master record will also be prepared.

f. When the request for computation is returned, the LMA will send the insurance folder with all the pertinent data to the Death Claims activity for the payment of the cash value to the appropriate beneficiary(ies).

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7.05	Veterans/Claimants With Appeals Pending In The Current Legacy Appeals Process
7.06	Processing Requests For Supplemental Claim Reviews, Higher-Level Reviews And Appeals
7.07	Favorable Findings Will Not Be Reversed

7.01 GENERAL

The Veterans Appeals Improvement & Modernization Act of 2017 (PL 115-55), also known as the Appeals Modernization Act, provides review options that Veteran/Claimants may use to request a Higher-Level Review of a decision made by Insurance Service, submit additional evidence (Supplemental Review) for consideration following an initial decision made by Insurance Service, or file an Appeal directly to the Board of Veterans Appeals for any original decision made on or after February 19, 2019.

VA is required to provide timely notification of decisions, including notification of options for Veteran/Claimants to request review of certain decisions. VA Insurance will use VA Form 20-0998, Your Rights to Seek Further Review of Our Decision to provide this notice, which includes an explanation of the procedure for obtaining review of a decision.

7.02 DECISIONS SUBJECT TO THE REVIEW PROCESS

The Code of Federal Regulations (38 CFR § 8.30) details the specific types of Insurance decisions that are subject to review. Notification to claimants on the following types of decisions must include a VA Form 20-0998, Your Rights to Seek Further Review of Our Decision. The following are the specific types of Insurance decisions subject to review.

A. Denials of applications for insurance
B. Denials of total disability income provision or reinstatement

C. Disallowance of claims for insurance benefits
D. Decisions holding fraud or imposing forfeiture

7.03 NOTIFICATION LETTERS FOR DECISIONS SUBJECT TO REVIEW

For Insurance decisions subject to review, as outlined in 7.02 above, Insurance is required to advise Veteran/Claimants of their right to request review or appeal our decisions. This notification must be in writing and the notification must include:

A. Identification of the issues decided
B. A summary of all the evidence we considered
C. Identification of any favorable findings we found in the decision
D. For denial of benefits, Insurance must specify the element that was not satisfied and led to the Insurance denial of benefits
E. An explanation of how to obtain or access the evidence used in making the decision
F. All applicable laws and regulations used to make the decision
G. A summary of the applicable review options available for the Veteran/Claimant to seek further review of the decision

Each notification of decision as stated in Paragraph 7.02, will also include release of VA Form 20-0998, Your Rights to Seek Further Review of Our Decision.

7.04 OPTIONS FOR VETERAN/CLAIMANTS WHO DISAGREE WITH THE DECISION THEY RECEIVED

Veterans/Claimants have one year from the date of Insurance's decision to request a review under the options outlined below. Veterans/Claimants who disagree with a decision as described in Section 7.02 may select one of the following review processes to resolve their disagreement.

A Veteran/Claimant may select different review options for each issue if there is more than one. However, they may not choose to have an individual issue reviewed concurrently under more than one option. Choosing one option does not preclude the Veteran/Claimant from using a different review or appeal option once a decision is rendered on the review.

A. **Supplemental Claim Review**. A Supplemental Claim and use of the Supplemental Claims Review Lane allows Veterans/Claimants to submit additional evidence that is new and relevant to support their claim. The Supplemental Claim Review will consider any new and relevant evidence submitted after the original decision on the same issue.

   If the Claimant chooses a Supplemental Claim Review within one year of the original decision, the review is treated like a new decision. The new and relevant evidence will be considered to determine if a favorable decision can be made.

   A Supplemental Claim, however, can be submitted at any time after a decision is made, but the effective date of the original decision will only be upheld if it is received within one year of the denial of the original decision at issue.

A Veteran/Claimant who disagrees with the Insurance decision after the Supplemental Claim is reviewed may submit another supplemental claim with new evidence, may request a review under the Higher-Level Review described in paragraph B, or file a Notice of Disagreement with the Board of Veterans Appeals.

B. **Higher-Level Review**. A Higher-Level review consists of an entirely new review of the claim by a more experienced/senior employee than the initial decision-maker. The review is conducted on a "closed" record, which means no submission of new evidence will be considered as part of the Higher-Level review. The review will be based solely on the evidence that was in the possession of Insurance at the time the original decision was made. The Veteran/Claimant will be restricted from adding new evidence during the Higher-Level review process. In addition, under a Higher-Level review, Insurance will not assist the Veteran/Claimant in developing additional evidence. The requirements under a Higher-Level review **do** require that correction of any errors discovered during the review be processed for correction.

The Veteran/Claimant can request an optional, one-time, informal telephone conference with the Higher-Level reviewer. The purpose of the call would be to identify specific issues about the claim.

A Veteran/Claimant who disagrees with the decision made after the Higher-Level review may submit new evidence to be considered under the supplemental claims process as described in Paragraph A, or file a Notice of Disagreement with the Board of Veterans Appeals. An election for further review must be submitted within one year of the date of the Higher-Level review decision.

C. **Appeals – Notice of Disagreement -** This option allows a claimant to appeal the Insurance decision directly with the Board of Veterans Appeals. The Insurance Service's responsibility is to forward any formal Notice of Disagreements directly to the Board of Veterans Appeal and then to act on any remands where the Board has instructed Insurance to remedy a decision. Veterans/Claimants will use VA Form 10182, Board Appeal, Notice of Disagreement to request an appeal directly with the Board of Veterans Appeals.

A Veteran/Claimant who disagrees with the decision made by the Board of Veterans Appeals may submit new evidence to be considered under the supplemental claims process as described in Paragraph A.

In addition, Veteran/Claimants may file a complaint with a United States District Court in the District of Columbia or within a district in which they reside within six years from the date of the decision. Insurance Service may be contacted to provide subject matter assistance if this occurs.

7.05 VETERANS/CLAIMANTS WITH APPEALS PENDING IN THE CURRENT LEGACY APPEALS PROCESS

Veteran/Claimants who currently have an appeal pending in the legacy appeals process may elect to have their decision reviewed under the new Supplemental Claims review or the Higher-Level review process or choose to continue with the legacy appeals process.

Veterans/Claimants with an appeal pending in the legacy process, will be notified of the option to elect the review process by letter. Any Veterans/Claimants who "opt-in" to the new process will permanently withdraw from the legacy appeals process. Their claim will proceed through the requested review method and their date of claim will be preserved.

Veteran/Claimants may opt-in to the modernized appeals system for any appeal currently in the legacy appeals process if they have received a SOC/SSOC dated before, on or after February 19, 2019.

7.06 PROCESSING REQUESTS FOR SUPPLEMENTAL CLAIM REVIEWS, HIGHER-LEVEL REVIEWS AND APPEALS

A request for a Supplemental Claims Review and/or Higher- Level Review will be received as an image through established incoming mail procedures. Clerical Support will assign any Supplemental Claim or Higher-Level Review request to the appropriate employee through workflow. Any request accompanied by a Notice of Disagreement VA Form 10182 would signify a request for appeal to the Board of Veterans Appeals and will be sent to the Board of Veterans Appeals by Clerical Support. For individual cases where there is a question whether correspondence is an appeal, Section Chief 295 will review the correspondence and make that determination.

In all cases of requests for a Supplemental Claim Review or a Higher-Level Review, the Veterans Claims Examiner assigned the review will record the claim in CASEFLOW.

Information that should be recorded is:

- Regional office selector
  - Philadelphia Insurance Center, PA – RO80
- Which form are you processing?
  - Decision Review Request: Higher-Level Review – VA Form 20-0996
  - Decision Review Request: Supplemental Claim – VA Form 20-0995
  - Decision Review Request: Board Appeal – VA Form 10182
- Enter the Veteran's ID or SSN
- What is the Benefit Type?
  - Insurance
- What is the Receipt Date of this form?
  - Enter the date appeal was received
- Was an informal conference requested?
  - Choose No or Yes
- Was an interview by the same office requested?
  - Choose No or Yes
- Is the claimant someone other than the Veteran?
  - Choose No or Yes
- Did they agree to withdraw their issues from the legacy system?
  - Choose N/A or Yes
- Add/Remove Issues
- Click on Add Issue
  - Does issue 1 match any of these categories?
  - Issue category

        - Choose the issue on appeal, example - RH(1922(a) S-DVI Timely application
- Decision date
    - Enter decision date
- Issue decision
    - Enter description, example - S-DVI denied due to untimely submitted application
- Does issue 1 match any of these VACOLS issues?
    - Choose Medically qualified or None of these match
- Click on Add this issue
- Add/Remove Issues
    - Add another issue to applicable
- Establish the High-Level Review, Supplemental Claim or Board Appeal

If the review requested is a Supplemental Claims Review, as evidenced by the Veteran/Claimant including a Decision Review Request Supplemental Claim, VAF 20-0995, the review of the claim will be assigned by digit assignment.

If the Veteran/Claimants request a Higher-Level Review, they may submit a Decision Review Request Higher-Level Review VAF 20-0996. In the case of a request for a Higher-Level Review, care and caution should be taken to be sure a "new" reviewer with more experience than the original decision maker be utilized to review the claim. In cases where a higher-level review is assigned to the same reviewer who made the original decision, the reviewer assigned should inform their supervisor, so the review may be reassigned.

If a Higher-Level Review or Supplemental Claim is received without a VAF 20-0995 or 20-0996, or if the received form is substantially incomplete, the Veterans Claims Examiner will develop for the necessary information by forwarding the Veteran/Claimant the appropriate form, identifying what information is required for VA to proceed, requesting they return the completed form and/or evidence as needed. A Supplemental Claim must be substantially complete and must at least identify or include potentially new evidence for consideration by Insurance Service.

If a complete request is submitted by the Veteran/Claimant within 60 days of the date of the VA notification of such incomplete request or prior to the expiration of the one-year filing period, VA will consider it filed as of the date VA received the incomplete form that did not meet the standards of a complete request. This is only pertinent in terms of the one-year deadline to file a Higher-Level Review or to preserve the date for a Supplemental Claim Review.

7.07 FAVORABLE FINDINGS WILL NOT BE REVERSED

Any finding favorable to a Veteran/Claimant is binding on all subsequent Insurance and Board of Veterans Appeals decision makers, unless there is evidence rebutted by clear and convincing evidence to the contrary.

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CHAPTER 8. MISCELLANEOUS

8.01 REDUCTION OF JR [ ] PREMIUMS

a. Consideration will be given to reducing a premium rate on a JR (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 (Total Disability Income Provision) 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.

b. The inquiry and/or application will be acknowledged and the material, including the insurance folder and claims folder, if any, will be forwarded to the Chief, [Insurance] Program Management Division (290), VA center, Philadelphia, for further development, review and decision. (If approved, the effective date of the premium reduction will be the first premium due date following the postmark date of the letter or application.]

c. If the decision is a favorable one, and it only involves the reduction of a premium on a JR (policy, the LMA (Lay Medical Approver) will:

(l) 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, for the difference in reserve, debiting control account 7-53 and crediting 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 subparagraphs (2) through (9) above 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 as outlined in chapter 7.

8.02 INSURANCE GRANTED UNDER 38 U.S.C. 722(b)

a. Title 38 U.S.C., Section 722(b), provides insurance protection for survivors of eligible veterans who died without having been able to apply for RH insurance because they were suffering from a service-connected mental incompetency. It permits payment of insurance in cases where death has occurred before or after the VA rating, provided an application is timely filed.

b. When an application for insurance under 38 U.S.C. 722(a) is submitted subsequent to the veteran's death and the application shows that there may be evidence of a service-connected incompetency, a VA Form 29-4373, Request for Disability Compensation Rating for Insurance Purposes, will be sent to the regional office of jurisdiction.

c. The request for rating will be prepared in duplicate. The remarks block of the form will be completed by the LMA requesting the following:

(l) A rating decision for the purpose of 38 U.S.C. 722(b); and

(2) The XC-folder.

d. When an acceptable rating and XC-folder are received, they will be referred to the Chief, Insurance Program Management Division (290), VA center, Philadelphia, for final determination of insurability.

e. If it is determined that entitlement exists and the insurance is payable, an ARH number will be assigned in that activity and the records returned to the Death Claims activity in the proper center to effect payment.

f. All records for ARH insurance are filed in the claims folder. No insurance folders are made for ARH cases.

8.03 REQUEST FOR CHANGE IN METHOD OF PAYMENT BY A BENEFICIARY AFTER PAYMENT HAS COMMENCED ON A DEATH AWARD

a. A change in the mode of settlement may be made by a beneficiary after payment has commenced in a death award provided that the change is made within 1 year of the original election.

b. Since a change of option could be damaging to the fund, an acceptable certification of health is needed from the beneficiary before such a change can be effected.

c. When such a request is received in the Death Claims activity, [ ] an appropriate letter [with a certification of health] will be released by that activity to the beneficiary.

d. If the certification of health indicates an exception or is accompanied by a medical statement, the case will be referred to the Medical Determination Section for review by the LMA.

e. When such a case is received from the Death Claims activity, the LMA will prepare a VA Form 29.4437, Underwriting Numerical Rating. In the remarks column on the form, the LMA will indicate acceptance or rejection of the request. Any applicable waiting period will also be shown.

f. In determining whether the comparative health requirements are met, the LMA will consider the beneficiary's health from the date the original selection of option was made to the postmark date of the request for change. In reaching a decision as to the state of the beneficiary's health since the original election, any significant change for the worse, new diagnosis of disease, progression of existing disease, etc., will be considered in forming the basis for a declination or acceptance of the request.

g. After a determination has been made, the case will be returned to the Death Claims activity for their action.

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