# M29-1 Insurance User Manual

VA INSURANCE SERVICE

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### 1.01 GOVERNMENT LIFE INSURANCE

a. The United States Government Life Insurance (USGLI) program was established in 1919 to handle the insurance converted from the War Risk Term Insurance of World War I. The Department of Veterans Affairs operates this program as well as additional programs established for Veterans and Servicemembers in subsequent military conflicts or service periods. These programs are segregated and administered as if they were separate life insurance companies in that separate funds have been established in the U.S. Treasury for each program. Each fund is credited with its own premium, interest, and other income. Similarly, each fund is debited with its own disbursement.

All applications for life insurance have been assigned policy numbers with alphabetic prefixes. These alpha prefixes serve as a ready identification of the program under which the insurance was granted. Listed below are the letter prefixes assigned and a description of the related programs with which they are identified.

## Policy Prefix - T

War Risk Insurance authorized by the War Risk Insurance Act as amended October 6, 1917, and issued between October 6, 1917, and June 7, 1924, as yearly renewable term insurance. Policies had to be converted to USGLI not later than July 2, 1926, except when death or total permanent disability occurred before that date. Where it was impractical or impossible to convert due to the mental condition (incompetency) or the disappearance of the insured, yearly renewal insurance in force could be continued in force as long as the mental condition continued or during the continued disappearance of the insured.

**NOTE**: "I" numbers were assigned to claims for permanent and total disability benefits.

## Policy Prefix - K

U.S. Government Life Insurance (USGLI) started in December 1919 for conversion of War Risk Insurance to permanent plans with the 5-year level premium term plan becoming available June 2, 1926. The World War Veterans' Act of 1924 provided that veterans or servicemen who served in the Armed Forces between October 6, 1917, and July 2, 1921, were eligible to apply. Eligibility ended April 25, 1951. USGLI was issued to persons who entered active duty in the Armed Forces from June 7, 1924 until October 7, 1940.

## Policy Prefix - N

National Service Life Insurance (NSLI) authorized by the National Service Life Insurance Act of 1940 (PL 801, 76th Congress) and issued on or after October 8, 1940, and before October 1, 1948. These term policies were issued as 5-year level premium term policies, but the first term period on policies issued prior to January 1, 1946, was automatically extended for an additional 3 years without application and without an increase in premium rate regardless of whether the insured was in or out of service by authority of Public Law 118, 79th Congress, July 2, 1945.

## Policy Prefix - AN

Gratuitous Insurance issued to persons in the active service in the early part of World War II who had less than $5,000 Government life insurance and, during a specified period of time (1) became totally disabled as a result of injury or disease incurred in line of duty, (2) were captured, besieged, or otherwise isolated by the forces of an enemy of the United States, (3) had failed or neglected to apply for insurance, or (4) died in line of duty. (Section 602(d), National Service Life Insurance Act, as amended by Public Law 360 and Public Law 667, 77th Congress, December 20, 1941 and July 11, 1942, and other later amendments).

**NOTE**: Servicemembers granted insurance under this program were required to make application for continuation of the coverage within 6 months from the date the condition for which the insurance was granted ceased to exist. The insurance was non-participating until such time as the insured started paying premiums.

## Policy Prefix - V

National Service Life Insurance (NSLI) issued after October 8, 1940, as permanent plans of insurance and on or after October 1, 1948, as 5-year level premium term insurance (new issue or renewal of N policies). The original law provided that insurance be issued initially on the term plan with the privilege of converting to a permanent plan after the insurance had been in force for one year. The right to apply for this insurance ended April 25, 1951.

## Policy Prefix - H

National Service Life Insurance (NSLI) issued between August 1, 1946, and December 31, 1949 (both dates inclusive), to veterans who were eligible for NSLI but could not meet health requirements for issue or reinstatement because of disabilities resulting from or aggravated by active service between October 8, 1940, and September 2, 1945.

The 'Veterans Programs Enhancement Act of 1998' (Public Law 105-368), dated November 11, 1998, contained provisions to merge "H" policies into the regular NSLI "V" policies. Under the new law, all "H" policies were converted to "V" policies effective January 1999. Converted policies now have the same premium rates and policy provisions as "V" policies. "H" policyholders also now receive dividends. The merger of these policies into the NSLI fund required a one-time transfer of $4.4 million in 1999 from the VI&I fund to the NSLI fund.

## Policy Prefix - RH

Service-Disabled Veterans' Insurance (S-DVI) issued to Veterans separated from service on or after April 25, 1951, with service-connected disabilities who are in good health except for such disabilities. Applications for this insurance must be submitted within 2 years from the date of notification by the VA that a disability is service-connected but no later than December 31, 2022. (38 U.S.C. 1922(a)). S-DVI closed to new issues effective December 31, 2022 due to the new VA Life Insurance (VALI) Program.

## Policy Prefix - SRH

Supplemental Service-Disabled Veterans Insurance coverage was established on December 1, 1992. Veterans who have basic S-DVI coverage, are totally disabled, and have their premiums waived may apply for additional coverage of up to $30,000 under the Supplemental S-DVI program. Premiums for Supplemental S-DVI coverage, however, cannot be waived. S-DVI policyholders are eligible for supplemental coverage if: 1) they are granted a waiver of premiums on their S-DVI policy due to total disability, 2) they apply for the coverage within one year from notice of the grant of waiver or no later than December 31, 2022 (whichever comes first) and 3) they are under age 65. Both the basic S-DVI program and Supplemental S-DVI are closing to new issues on December 31, 2022 due to the new VALI Program.

## Policy Prefix - ARH

ARH is gratuitous insurance issued on or after April 25, 1951, in death cases in which the veteran was eligible to apply for RH insurance but was mentally incompetent due to a service-connected disability (38 U.S.C. 1922(b)(1)). As ARH is part of the S-DVI program, which will close to new issues effective December 31, 2022, ARH cannot be issued after this date.

## Policy Prefix - RS and W

Veterans Special Term Insurance issued between April 25, 1951, and December 31, 1956 (both dates inclusive), as 5-year level premium term insurance to veterans who applied within 120 days following separation from service (RS). Effective January 1, 1959 to September 1, 1960 or age 50, these policies could be exchanged for a limited convertible term policy or converted to a permanent plan policy (W) (38 U.S.C. 1923).

## Policy Prefix - J

Veterans Reopened (Service-Disabled Standard) Insurance issued between May 1, 1965, and May 2, 1966, (both dates inclusive) to veterans who had active military service between October 8, 1940, and April 25, 1951, or who entered active duty on April 25, 1951, or later and were separated before January 1, 1957. Eligible applicants had to have a service-connected disability other than dental and meet standard health requirements. They were granted protection at standard rates. (Persons on active duty with the Armed Forces were not eligible. They were eligible if they met the above requirements and were discharged during the one year reopened period.) (38 U.S.C. 1925)

## Policy Prefix - JR

Veterans Reopened (Service-Disabled Rated) Insurance issued from May 1, 1965, through May 2, 1966 (both dates inclusive) to veterans meeting service eligibility dates required for "J" insurance and whose service-connected disability alone prevented them from meeting good health requirements. Eligible applicants under this phase of the program were offered insurance at substandard premium rates. (38 U.S.C. 1925)

## Policy Prefix - JS

Veterans Reopened (Non-Service Disabled) Insurance issued from May 1, 1965, through May 2, 1966 (both dates inclusive) to veterans meeting service eligibility dates for "J" insurance and who had a non service-connected disability which alone or in combination with a service-connected disability impaired their health so severely that commercial companies would not insure them even with high extra premium charges. Disability must have been in existence on October 13, 1964. Eligible applicants under this phase of the program were offered insurance with extra rates added to the standard premium based on the severity of their impairments.

These policies provide that in the event of death within the first 12 months after issue resulting from, or in any way traceable to, the disability or disabilities existing at time of issue of the policy, or in the event of suicide in the same one year period, the liability for payment will be limited only to the premiums paid on the policy. (38 U.S.C. 1925)

Note on J Series policies: From May 1, 1965, through May 2, 1966, NSLI was reopened to issue policies to certain disabled veterans. Veterans who had active military service from October 8, 1940, and through April 24,1951, or who entered active duty on April 25, 1951, or later and were separated before January 1, 1957, and had service-connected disabilities, and could meet standard health requirements were issued policies prefixed by the letter J. Persons on active duty could not buy this insurance. Veterans meeting the same eligibility dates, but whose service-connected disabilities prevented them from meeting good health requirements, were issued policies prefixed with the letters JR. These JR policies were issued at substandard premium rates. Those veterans meeting the same eligibility dates as

for J and JR insurance, but who had non-service-connected disabilities which alone, or in combination with service-connected disabilities, impaired their health to make them totally uninsurable commercially, were issued policies prefixed with the letters JS. Those veterans had to have their disabilities as of October 13, 1964.

### Policy Prefix – VMLI

The Veterans' Mortgage Life Insurance program was established in 1971 to provide mortgage protection insurance to service-disabled veterans who receive Specially Adapted Housing Grants from VA. Under 38 U.S.C. 2106(g), the amount of VMLI coverage for a veteran is the amount necessary to pay the veteran's mortgage indebtedness in full, except as limited by section 2106(b) or "regulations prescribed by the Secretary under this section." Effective December 2002, VMLI policyholders can retain coverage past the age of 70. Originally the amount of VMLI available was $30,000. On October 1, 1976, VMLI maximum coverage was increased to $40,000. On December 1, 1992, VMLI maximum coverage was increased to $90,000. On October 1, 2011, the maximum coverage of VMLI was increased to $200,000.

**NOTE**: The Servicemen's Indemnity and Insurance Acts of 1951 provided a free indemnity of up to $10,000 for death of persons in the active service with the armed forces and certain others. The acts were signed by the President on April 25, 1951, as Public Law 23, 82d Congress. The Law became effective on the same date; however, the indemnity coverage was retroactive to June 27, 1950. The indemnity protection ended December 31, 1956, under the Survivor Benefits Act (Public Law 881, 84th Congress), except where waiver of premium under section 622 (38 U.S.C. 1924) remained in force.

The following prefixes were assigned to total disability income riders (NSLI). They were assigned for control accounting purposes to assure disability premiums would be deposited in the proper funds. They were not made known to the insured. They are no longer assigned.

### Prefix - ND

Assigned to riders attached to N, V, or H policies and when premiums on the total disability income provision were to be deposited in the NSLI fund.

### Prefix - HD

Assigned to riders prior to January 1, 1950, attached to N, V, or H policies when premiums on the total disability income provision were to be deposited in the NSLI appropriation.

***References:***

- 38 U.S.C. 1922: Legacy Service-Disabled Veterans' Insurance
- 38 U.S.C. 1923: Veterans' Special Life Insurance
- 38 U.S.C. 1925: Limited Period for Acquiring Insurance
- 38 U.S.C. 2106: Veterans' Mortgage Life Insurance
- 38 U.S.C. 1924: In-Service Waiver of Premiums

## 1.02 PLANS OF INSURANCE (USGLI)

The 5-year level premium term policy provides for a level premium rate for a period of 60 months (5 years). Such a policy can be converted to a permanent plan of insurance at any time the term insurance is in force. The term insurance can also be renewed for successive 5-year periods at increased rates based on the age of the insured on the date of renewal. Public Law 91-291, effective June 25, 1970, provides that term policies are eligible for reinstatement within 5 years of the date of lapse. Prior to July 23, 1953, a term policy ceased at the end of the term period unless it was renewed by application or converted to a permanent plan of insurance. Public Law 148, 83d Congress, approved July 23, 1953, provided for automatic renewal of term policies which were not lapsed at the end of the term period. (The law does not apply to any term policy for which the term period expired prior to July 23, 1953.)

Permanent plans of insurance are described below:

1. **Ordinary Life Policy**-A straight life policy which provides the maximum amount of protection for the life of the insured for a minimum level premium. Premiums are payable throughout the lifetime of the insured.

2. **20-Payment Life Policy**-A limited payment life policy which provides that premiums shall be payable for 20 years. At the end of that period, premium payments cease and the insurance becomes paid up for the face value of the policy. This policy, when paid up, continues to participate in dividends.

3. **30-Payment Life Policy**-A limited payment life policy which provides that premiums shall be payable for 30 years. At the end of that period, premium payments cease and the insurance becomes paid up for the face value of the policy. This policy, when paid up, continues to participate in dividends.

4. **20-Year Endowment Policy**-A limited payment endowment policy which provides that premiums shall be payable for 20 years. At the end of that period, the net amount of insurance is payable to the insured in one lump sum or in installments, at the option of the insured.

5. **30-Year Endowment Policy**-A limited payment endowment policy which provides that premiums shall be payable for 30 years. At the end of that period, the net amount of insurance under the policy is payable to the insured in one lump sum or in installments, at the option of the insured.

6. **Endowment at Age 62 Policy**-The endowment at age 62 policy provides that premiums shall be payable throughout the endowment period. The endowment period is the number of full policy years, which, added to the age of the insured at the effective date of the policy, equals 62. At the end of the endowment period, the amount of insurance under the policy is payable to the insured in one lump sum or in installments, at the option of the insured.

7. **5-Year Convertible Term (Whole Life)**- This plan is a combination of term (first 5 years) and ordinary life. The premium was computed by adding 5 years to the age of issue and then obtaining the premium rate for that age from the Ordinary Life Table of Premium Rates. Loan and cash values commenced at the end of the sixth policy year.

8. **Special Endowment at Age 96 Plan**-A special endowment plan available to term policyholders on or after the insured's 65th birthday. The policy is similar to other standard USGLI policies, except that it cannot be antedated, exchanged, converted, or

reconverted to any other plan of insurance and it does not mature because of total permanent disability. The insured, however, may include in such endowment policy a provision for waiver of premiums on the policy by application at the same time they exchange the term policy and by payment of the extra premium prescribed.

9. **EXCEPTION**: If it is determined that the term policy matured because of total permanent disability or the insured was entitled to total permanent disability benefits prior to exchange of the special endowment, the insured will be entitled to the benefits which are payable under the prior term policy and total disability provision upon surrender of the present policy. In such case, the cash value less any indebtedness on the endowment policy will be refunded, together with any premiums paid for the disability provision attached thereto.

## 1.03 PLANS OF INSURANCE (NSLI – TERM PLANS)

a. The 5-year level premium term policy, issued or renewed under V, H, RH or RS policy numbers, provides for a level premium rate for a period of 60 months (5 years) after which the policy ceases and becomes void, except when renewed for an additional 5 years or converted or exchanged to some other plan of insurance. Public Law 91-291, effective June 25, 1970, provides that term policies are eligible for reinstatement within 5 years of the date of lapse. Effective July 23, 1953, a policy issued on a 5-year level premium term plan which has not been exchanged or converted to a permanent plan and which is not lapsed at the end of the term period, will be automatically renewed for a successive 5-year period at the increased premium rate based on the age of the insured on the date of renewal.

b. Before January 1, 1959, a policy issued under section 621 of the National Service Life Insurance Act (RS), as amended, could not be converted or exchanged for a permanent plan of insurance. On or after that date an RS policy may be converted or exchanged to a permanent plan of insurance or to the limited convertible 5-year level premium term plan (W).

c. The limited convertible 5-year level premium term plan (W) is similar to the 5-year level premium term plan except that it cannot be issued or renewed after the insured's 50th birthday. (It could be issued above age 50 for one 5-year term period between January 1, 1959, and September 1, 1960.) The policy will cease and become void at the expiration of the final term period except when converted to a permanent plan of insurance. If the insured is totally disabled at the expiration of the term period ending on or after his or her 50th birthday and is entitled to continued protection and waiver of premiums under 38 U.S.C. 1912, the term insurance, in the absence of instructions from the insured to the contrary, will automatically be converted in the same amount to an ordinary life policy.

***References:***

- 38 U.S.C. 1912: Total Disability Waiver

## 1.04 PLANS OF INSURANCE (NSLI – PERMANENT PLANS)

a. The permanent plans of insurance are: ordinary life, 20-payment life, 30-payment life, 20-year endowment, endowment at age 60, and endowment at age 65, modified life -age 65, modified life -age 70, and one-year net single premium endowment.

b. The permanent plans are described below:

1. **Ordinary Life Policy**-A straight life policy which provides the maximum amount of protection for the life of the insured for a minimum level premium. Premiums are payable throughout the lifetime of the insured.

2. **20-Payment Life Policy**-A limited payment life policy which provides that premiums shall be payable for 20 years. At the end of that period, premium payments cease and the insurance becomes paid up for the face value of the policy.

3. **30-Payment Life Policy**-A limited payment life policy which provides that premiums shall be payable for 30 years. At the end of that period, premium payments cease and the insurance becomes paid up for the face value of the policy.

4. **20 Year Endowment Policy**-A limited payment endowment policy which provides that premiums shall be payable for 20 years. At the end of that period, the full amount of insurance is payable to the insured in one lump sum or in installments, at the option of the insured.

5. **Endowment at Age 60**-A limited payment endowment policy which provides that premiums shall be payable throughout the endowment period. The endowment period is the number of full policy years which, added to the age of the insured at the effective date of the policy, equals 60. At the end of the endowment period, unless the policy matures sooner by death, the full amount of the policy is payable to the insured in one sum or in installments, at the option of the insured.

6. **Endowment at Age 65**-The endowment at age 65 is similar to the endowment at age 60 except that the endowment period is the number of full policy years, which added to the age of the insured at the effective date of the policy, equals 65.

7. **Modified Life at Age 65** - A Modified Life Age 65 policy provides coverage for the face amount of the policy, less indebtedness, up to the insured's 65th birthday. At the end of the day before the insured's 65th birthday, the amount of insurance is automatically reduced by one-half. The premium, however, is not reduced and must be paid for life. If the insurance is inforce on a premium paying basis on the day before the insured's 65th birthday, the insured may, without medical examination, replace the amount that is reduced by purchasing before his or her 65th birthday the same or lesser amount on a Special Ordinary Life plan for "V" and "H" policies or an Ordinary Life plan for "J", "RH" and "W" policies (see Note below for "JR" policies). The new policy will be effective on his or her 65th birthday. (The amount to be granted must be in multiples of $250, but not less than $500, and not in excess of one-half of the face amount of the Modified Life policy in force.) If premiums are being waived due to total disability on the insured's 65th birthday, the amount that is reduced will automatically be replaced. The premium rate for the Special Ordinary Life plan ("V" and "H" policies) will be for the attained age of the insured, and will be based on the same mortality tables and interest rate as the insurance issued under the Modified Life plan. (The premium rates for Special Ordinary Life policies in the "V" and "H" funds are different from those of standard Ordinary Life policies.) The

applicant must apply for the Modified Life plan prior to attaining the insurance age of 61 years.

8. **Modified Life Age 70** - A Modified Life Age 70 policy provides coverage for the face amount of the policy, less indebtedness, up to the insured's 70th birthday. At the end of the day before the insured's 70th birthday, the amount of insurance is automatically reduced by one-half. The premium, however, is not reduced and must be paid for life. If the insurance is in force on a premium paying basis on the day before the insured's 70th birthday, the insured may, without medical examination, replace the amount that is reduced by purchasing before his or her 70th birthday the same or lesser amount on a Special Ordinary Life plan for "V" and "H" policies or an Ordinary Life plan for "J", "RH" and "W" policies (see Note below for "JR" policies) to be effective on his or her 70th birthday. (The amount to be granted must be in multiples of $250, but not less than $500, and not in excess of one-half of the face amount of the Modified Life policy in force.) If premiums are being waived due to total disability on the insured's 70th birthday, the amount that is reduced will automatically be replaced. The premium rate for the Special Ordinary Life plan ("V" and "H" policies) will be for the attained age of the insured and will be based on the same mortality tables and interest rate as the insurance issued under the Modified Life plan. The premium rates for Special Ordinary Life policies in the "V" and "H" funds are different from those of standard Ordinary Life policies.

**NOTE**: The replacement policy for "JR" policies should be the least expensive life plan in the rate book. Thus, for issuance age 65 on special class premiums 150 percent through 300 percent, the policies will be issued as 30-Payment Life and for special class premiums 400 percent and 500 percent, the policies will be issued a 20-Payment Life. For issuance age 70, on all special class premiums, the policies will be issued a 20-Payment Life. At the insured's request, any other policy available for ages 65 or 70 may be issued.

c. No one-year net single premium endowment policies were issued. However, such a policy was available on or after May 1, 1965 and prior to May 3, 1966, to eligible veterans who could not meet health requirements because of a non-service connected disability or a combination of service connected and non-service connected disabilities. The policy would provide coverage during the first policy year for death arising from any cause. It required payment in advance of a single premium of $966.18 for each $1,000 of insurance and a one-time administrative cost of $15. No portion of the premium could be waived because of total disability. The policy had a net cash value in excess of the premium but had no loan, paid-up or extended insurance value. It could not be exchanged for a policy on any other plan of insurance.

## 1.05 ADMINISTRATIVE COST

a. Except as provided in sections 1920(c), 1923 (d), and 1955(c) of this title, the United States shall bear the cost of administration in connection with this chapter, including expenses for medical examinations, inspections when necessary, printing and binding, and for such other expenditures as are necessary in the discretion of the Secretary.

1. For each fiscal year, the Secretary shall reimburse the "General operating expenses" account of the Department for the amount of administrative costs determined under paragraph (2) for that fiscal year. Such reimbursement shall be made from any surplus earnings for that fiscal year that are available for dividends on such

insurance after claims have been paid and actuarially determined reserves have been set aside. However, if the amount of such administrative costs exceeds the amount of such surplus earnings, such reimbursement shall be made only to the extent of such surplus earnings. (38 U.S.C. 1920(c) - NSLI Fund; 38 U.S.C. 1923(d) - VSLI Fund; 38 U.S.C. 1955(c) - USGLI Fund)

2. The Secretary shall determine the administrative costs to the Department for the fiscal year, which in the judgment of the Secretary, are properly allocable to the provision of National Service Life Insurance, United States Government Life Insurance and Veterans' Special Life Insurance (and to the provision of any total disability income insurance added to the provision of such insurance).

3. The law only placed these provisions in effect with respect to fiscal year 1996. *

b. * Since 1997, the annual appropriation bill allowed for the reimbursing of General operating expenses from NSLI, VSLI and USGLI, extending the payment of administrative expenses beyond 1996. The language in the annual appropriation bill is as follows:

   Sec. 208. <<NOTE: Reimbursement.>> Notwithstanding any other provision of law, during fiscal year 20xx, (year that Sec. 208.is enacted) the Secretary of Veterans Affairs shall, from the National Service Life Insurance Fund under section 1920 of title 38, United States Code, the Veterans' Special Life Insurance Fund under section 1923 of title 38, United States Code, and the United States Government Life Insurance Fund under section 1955 of title 38, United States Code, reimburse the "General Operating Expenses, Veterans Benefits Administration'' and `"Information Technology Systems'' accounts for the cost of administration of the insurance programs financed through those accounts: Provided, that reimbursement shall be made only from the surplus earnings accumulated in such an insurance program during fiscal year (year that Sec. 208. is enacted) that are available for dividends in that program after claims have been paid and actuarially determined reserves have been set aside. Provided further, that if the cost of administration of such an insurance program exceeds the amount of surplus earnings accumulated in that program, reimbursement shall be made only to the extent of such surplus earnings.

   <<NOTE: Determination.>> Provided further, that the Secretary shall determine the cost of administration for [the applicable] fiscal year which is properly allocable to the provision of each such insurance program and to the provision of any total disability income insurance included in that insurance program.

c. An additional amount to cover administrative cost is charged for J, JR, and JS policies and the charge may be adjusted at the Secretary's discretion at intervals of not less than 5 years.**

   **The VA Administrator approved (June 5, 1987) that the cost portion of Veterans' Reopened Insurance (VRI) (J, JR, & JS) premium be reduced to zero for all policyholders and that VRI's administrative expenses be deducted from the program's gains alone and shared equally by all of the policyholders in the VRI program.

d. For Service-Disabled Veterans Insurance, as provided in 38 U.S.C. 1922(a)(5), administrative support is financed by the appropriations for "General Operating Expenses, Department of Veterans Affairs" and "Information Technology Systems, Department of Veterans Affairs" and shall be paid from premiums credited to the S-DVI

Fund. Payments for claims against the fund and for amounts in excess of amounts credited (after such administrative costs have been paid), shall be paid from appropriations to the fund.

***References:***

- 38 U.S.C. 1920: National Service Life Insurance Fund
- 38 U.S.C. 1923: Veterans' Special Life Insurance
- 38 U.S.C. 1955: United States Government Life Insurance Fund
- 38 U.S.C. 1922: Legacy Service-Disabled Veterans' Insurance

## 1.06 ASSIGNMENTS

a. The proceeds of Government life insurance are not assignable by the insured. With the exception of insurance granted under the provisions of 38 USC 1922(b), assignment of all or any part of the beneficiary's interest may be made by a designated beneficiary to a permitted class of beneficiaries. The contingent beneficiary, if any, must join the beneficiary in the assignment unless the proceeds are payable to the principal beneficiary in a lump sum.

b. The United States assumes no responsibility for the validity of any assignment, and an assignment will be binding only if in writing and filed with VA. Any such assignment will be ineffective as to proceeds paid prior to receipt of same in VA.

c. The permitted classes of beneficiaries for assignment of NSLI include widow, widower, child, father, mother, grandfather, grandmother, brother or sister of the insured. USGLI policies permit assignment to spouse, child, grandchild, parent, brother, sister, uncle, aunt, nephew, niece, brother-in-law or sister-in-law of the insured.

***References:***

- 38 U.S.C. 1922: Legacy Service-Disabled Veterans' Insurance

## 1.07 TAXATION AND EXEMPTION

a. Payments of NSLI and USGLI are exempt from taxation, but such exemption does not extend to any property purchased in part or wholly out of such payments. (However, proceeds of NSLI or USGLI are includable in a decedent's gross estate for Federal estate tax purposes.) Payments of insurance to a beneficiary are exempt from claims of creditors, and are not liable to attachment, levy or seizure either before or after receipt by the beneficiary with the following exceptions:

   1. The United States is entitled to collect by set-off the amount of any indebtedness due the United States by such beneficiary because of overpayments or illegal payments made to such beneficiary under laws administered by VA.

   2. The United States is entitled to deduct the amount of unpaid premiums, loan, interest on premiums or loans, or indebtedness arising from overpayments of dividends, refunds, loans, or other insurance benefits; or any other indebtedness existing under the particular contract. (38 USC 5301) under laws administered by VA.

**NOTE**: The express language of the VA statute (38 USC 5301) provides that an insured cannot have a VA insurance loan, cash surrender, or dividend payment seized unless the insured otherwise has a debt from participation in a benefits program administered under title 38. Beneficiaries are additionally subject to title 26 IRS tax laws upon receipt of insurance proceeds—if they have a debt with the IRS then 38 USC 5301(d) permits the IRS to take the debt from the insurance proceeds.

***References:***

- 38 U.S.C. 5301: Nonassignability and Exempt Status of Benefits

## 1.08 INCONTESTABILITY AND FORFEITURE

a. As provided for in 38 U.S.C. 1910, all policies and contracts are incontestable from date of issue, conversion, or reinstatement except on grounds of non-payment of premiums, fraud or lack of military service. Policies issued are free of restrictions as to travel, residence, occupation, or military or naval service. Discharge or release of an insured from military or naval service for the reason of fraudulent enlistment shall not invalidate a contract issued on the basis of such service unless the Secretary determines that the insured was mentally or legally incapable of entering into a contract of enlistment. In such case, the insurance so issued will be canceled as of the effective date. However, in any case in which a contract or policy of insurance is canceled or voided after March 16, 1954, because of fraud, the Secretary shall refund to the insured, if living, or, if deceased, to the person designated as beneficiary (or if none survives, to the estate of the insured) all money, without interest, paid as premiums on such contract or policy for any period subsequent to two years after the date such fraud induced the Secretary to issue, reinstate, or convert such insurance less any dividends, loan, or other payment made to the insured under such contract or policy.

b. No insurance will be payable for death inflicted as a lawful punishment for crime or for military or naval offense, except when inflicted by the enemy. The cash value, if any, on the date of death of the insured will be paid to the designated beneficiary, if living. If there is no designated beneficiary alive at the death of the insured, the cash value is payable to the estate of the insured (USGLI) or to the beneficiary or beneficiaries within a permitted class of beneficiaries (NSLI) (See 38 USC 1916).

c. Any person guilty of mutiny, treason, spying or desertion, or who because of conscientious objection, refuses to perform service in the Armed Forces of the United States or refuses to wear the uniform of such force, shall forfeit all rights to National Service Life Insurance.

***References:***

- 38 U.S.C. 1910: Incontestability
- 38 U.S.C. 1916: Insurance Which Matured before August 1, 1946

## 1.09 MORTALITY TABLES

a. The mortality tables and rates of interest on which premium rates are based are as follows:

| Policy Prefix | Maximum Mortality Table | Rates of Interest | Age |
|---|---|---|---|
| K | American Experience Table of Mortality | 3.5% | 95 |
| V | American Experience Table of Mortality<br><br>***EXCEPTION****: When participating insurance is converted to or exchanged for the modified life plans, [ages 65 and 70], the premium rates for the modified life plans [ages 65 and 70] and that portion of the insurance continued as ordinary life after the insured's 65th or 70th birthday, as appropriate, are based on the 1958 Commissioners Standard Ordinary Basic Mortality Table and interest at the rate of 3%.* | 3% | 95 |
| H | American Experience Table of Mortality | 3% | 95 |
| RH | Commissioners 1941 Standard Ordinary Table of Mortality | 2.25% | 99 |
| RS | Commissioners 1941 Standard Ordinary Table of Mortality<br><br>Table X-18 (1950-54 Commercial Inter-Company Table of Mortality) | 2.25%<br><br>2.5% | 99<br><br>100 |
| J | 1958 Commissioners Standard Ordinary Table of Mortality | 3.5% | 100 |
| JR | American Experience Table of Mortality | 3.5% | 95 |
| JS | American Experience Table of Mortality | 3.5% | 95 |

**NOTE**: The net premium rate for J, JR and JS was increased at time of issue by an amount deemed necessary for sound actuarial operations. They may be adjusted from time to time as the Secretary determines to be necessary with the exception that premiums on J policies at intervals of not less than two years.

b. Each of the mortality tables is based on the presumption that all participants will be dead at the end of the maximum age for that table. The maximum age in the American Experience Table of Mortality is 95, and policies providing lifetime coverage mature as endowments on the policy anniversary date nearest the insured's 96th birthday when premiums are based on the American Experience Table of Mortality. For example, the maximum age for conversion of a K, V or H term policy to 30-payment life is 65 and to a 20-payment life is 75.

## 1.10 GENERAL

a. With the exception of the special endowment at age 96 plan, all USGLI and NSLI policies provide for disability benefits, under certain conditions, a total permanent disability

(USGLI) or total disability (NSLI). The provisions are part of the policies and no additional premiums are charged.

b. Provision may be added to the special endowment at age 96 plan at time of conversion to include waiver of premium benefits due to total permanent disability. An extra premium is charged.

c. Provided the insured can meet the health and age requirements, a provision may be added to USGLI policies and NSLI policies, except RH insurance, which provide additional disability benefits under certain conditions. These are referred to as total disability provision (USGLI) or total disability income provision (NSLI) and an extra premium is charged for the provisions.

   **NOTE**: Requirements for adding a Total Disability Income Provision to a policy are in Chapter 16 of this manual. Chapters 31 and 32 define the eligibility requirements for receiving disability benefits. General information about disability provisions is included in this chapter.

***References:***

- M29-1, Part I, Chapter 16: Total Disability Income Provision (NSLI & USGLI)
- M29-1, Part I, Chapter 31: Disability Benefits on National Service Life Insurance
- M29-1, Part I, Chapter 32: Disability Benefits on United States Government Life Insurance

## 1.11 TOTAL AND PERMANENT DISABILITY (USGLI)

a. Total permanent disability is defined as any impairment of mind or body which continuously renders it impossible for a person to follow any substantially gainful occupation and which is founded upon conditions which render it reasonably certain that the total disability will continue throughout the life of the disabled person, or conditions as defined under 38 USC 1958. There is no limitation as to the age at which such disability may occur for entitlement to total permanent disability benefits.

b. A disability provision may be added to the special endowment at age 96 plan only at the time of conversion which provides for waiver of premiums due to total permanent disability. Waiver may be granted effective with the first monthly premium due after the start of total permanent disability except that premiums due more than one year before receipt of the insured's claim will be waived only if it is found that the insured's failure to submit timely claim or satisfactory evidence to show the existence or continuance of total permanent disability was due to circumstances beyond his control. Both the disability provision and the life contract must be in force on a premium-paying basis for entitlement to waiver of premium benefits.

c. With the exception of the endowment at age 96 plan, all USGLI policies provide that the policy matures and becomes payable in monthly payments of $5.75 per thousand upon a finding of total permanent disability. This applies to extended term insurance and paid-up policies as well as policies on a premium paying basis. The monthly installments continue as long as the insured remains totally permanently disabled.

d. Total permanent disability benefits may relate back to a date not exceeding 6 months prior to receipt of proof of total permanent. Any premium paid after receipt of proof of

total permanent disability and within 6 months is refunded without interest. If the insured does not want settlement upon a finding of total permanent disability, monthly installments will be held without interest. Such cases are referred to as "T&P Abeyance Cases".

***References:***

- 38 U.S.C. 1958: Statutory Total Permanent Disability

## 1.12 TOTAL DISABILITY PROVISION (USGLI-PREMIUM WAIVER)

a. The total disability provision provides for waiver of premiums and monthly payments of $5.75 per thousand insurance for total disability commencing while the insurance and provisions are on a premium paying basis.

b. On provisions issued on and after July 3, 1930, the insured must become totally disabled before his 65th birthday and remain totally disabled for a period of four consecutive months or more. Payments start as of the first day of the fifth consecutive month of continuous total disability provided application for the benefit is timely filed. (The monthly payment may relate back to a date not exceeding 6 months prior to receipt of proof of total disability but not before the first day of the fifth consecutive month of continuous total disability.) Premiums on the life contract and disability provision are waived during the payment of the monthly income.

c. On provisions issued before July 3, 1930, there is a one year waiting period and no age limit as to the date disability starts. Payments date back to the beginning of total disability. All premiums paid during the waiting period are refundable, and all premiums due thereafter are waived during continuance of total disability.

## 1.13 TOTAL DISABILITY (NSLI-PREMIUM WAIVER)

a. All NSLI policies provide for waiver of payment of premiums for total disability starting after the effective date of insurance and continuing for 6 or more consecutive months. Prior to January 1, 1965, total disability had to start before the insured's 60th birthday while his/her insurance was on a premium-paying basis. On and after January 1, 1965, total disability could commence on or before the insured's 65th birthday while the insurance is on a premium-paying basis. However, no premium due before January 1, 1965, may be waived if the insured becomes totally disabled after age 60 but before age 65. (38 U.S.C. 1912)

b. The waiver of premiums may become effective on the first premium due date following the date total disability started but not more than one year before receipt of application from the insured. However, a waiver in excess of the one year period may be granted where it is determined that the insured's failure to make timely application or submit satisfactory evidence of total disability was due to circumstances beyond his/her control.

c. Where waiver of premiums cannot be granted solely because the insured died prior to the continuance of total disability for 6 months, the insurance will be considered in force at time of death. Proof of the disability must be submitted within one year after the insured's death. If the beneficiary is insane or a minor, they may file application with

evidence of the insured's right to waiver within one year after removal of the legal disability. If total disability is allowed in such cases, any unpaid premiums are collected at settlement. (38 U.S.C. 1913)

d. If the insured is totally disabled when the insurance is granted, the disability may not become the basis for waiver of premiums. The exceptions are:

   1. RH policies.

   2. Permanent plans of insurance reinstated or replaced under the provisions of 38 U.S.C. 1981.

   3. Ordinary life policies issued on the insured's 65th birthday when premiums on the modified life are being waived on the day before his/her 65th birthday because of total disability or where waiver of premiums is subsequently granted because total disability started before the 65th birthday.

   4. Permanent plans issued at the end of the final term period of a limited convertible life term policy when premiums are being waived because of total disability or where waiver of premiums is subsequently granted on any permanent plan issued as the result of conversion of a term policy.

   5. Insurance issued under section 602(d)(3) of the National Service Life Insurance Act of 1940 as amended. (Insurance issued to persons in the active service who on or after October 8, 1940, and before April 20, 1942, became totally disabled as a result of injury or disease incurred in line of duty without having in force at time of incurrence of the disability at least $5,000 Government insurance. The disability must have continued without interruption for 6 months or until death intervened prior to the end of the 6 month period for entitlement to the gratuitous insurance. To continue the insurance in force, the insured had to apply in writing within 6 months after disability ceased or within one year after September 30, 1944, whichever was earlier.)

   6. Public Law 86497 (38 U.S.C. 1912(d)), approved June 8, 1960, states that when an insured has been or would have been denied premium waiver under section 602(n) of the National Service Life Insurance Act of 1940 as amended (38 U.S.C. 1912(a), (b) and (c)) solely because he/she became totally disabled between the date of valid application for insurance and the subsequent effective date, and on which it is shown that (1) the total disability was incurred in line of duty between October 8, 1940, and July 31, 1946, inclusive, or June 27, 1950, and April 30, 1951, inclusive, and (2) the insured remained continuously so totally disabled to the date of death or the date of enactment of this law, whichever is earlier, the Administrator may grant waiver of premiums from the beginning of and during the continuous total disability of such insured. Application for waiver of premiums under this law must be filed by the insured or, in the event of his/her death, by the beneficiary within one year after the date of enactment of this law, except that if the insured or the beneficiary be insane or a minor within the one year period, application for waiver may be filed within one year after removal of legal disability, or if an insane insured dies before the removal of the disability, application may be filed by the beneficiary within one year after the insured's death. No insurance shall be placed in force under this law in any case in which there was an award of benefits under the Servicemen's Indemnity Act of 1951 or of gratuitous insurance under 38 U.S.C. 1922(b). The amount of insurance placed in force under this law together with any other USGLI or NSLI in force at the time of

death, or at the time of the insured's application for waiver may not exceed $10,000 and shall be reduced by the amount of any gratuitous insurance awarded under the National Service Life Insurance Act of 1940, as amended. Waiver of premiums under this law shall render the insurance non-participating during the period the premium waiver is in effect.

***References:***

- 38 U.S.C. 1912: Total Disability Waiver
- 38 U.S.C. 1913: Death Before Six Months' Total Disability
- 38 U.S.C. 1981: Replacement of Surrendered and Expired Insurance
- 38 U.S.C. 1922: Legacy Service-Disabled Veterans' Insurance

## 1.14 TOTAL DISABILITY INCOME PROVISION (NSLI)

a. Total disability income provisions provide for monthly payments for total disability starting during the period of eligibility while the provision is in effect and is continuous in excess of 6 consecutive months.

b. Payment of the monthly benefit will start with the seventh month of continuous total disability provided application for the benefit and proof of disability are timely filed. The required proof must be filed while the provision is in force or within one year after the provision has ceased to be in effect. The monthly income payment, however, will not relate back to a date more than 6 months prior to receipt of the required proof in VA unless total disability is due to one of the specific causes listed below:

   1. The permanent loss of the use of both feet, or both hands, or both eyes, or of one foot and one hand, or of one foot and one eye, or of one hand and one eye, or

   2. The total loss of hearing of both ears, or

   3. The organic loss of speech.

c. If the insured dies without filing application for disability benefits and it is found that the insured's failure to file application was due to circumstances beyond his/her control, the application and required proof may be filed by the beneficiary within one year after the death of the insured. In such cases, monthly income payment will not relate back to a date more than 6 months prior to the date of death of the insured unless total disability is due to specific causes listed in subparagraph (1), (2) or (3) above.

d. Three types of provisions are involved as indicated below:

| Date for Applying | Amount of Income per $1,000 Insurance | Eligible Policies | Date Disability Must Commence |
|---|---|---|---|
| August 1, 1946 to November 1, 1958 | $5 | V&H | Prior to the insured's 60th birthday or the anniversary date of the policy nearest his/her 60th birthday, whichever is later. |
| April 25, 1951 to November 1, 1958 | $5 | RS | Prior to the insured's 60th birthday or anniversary date of the policy nearest his/her 60th birthday, whichever is later |
| November 1, 1958 to December 31, 1964 | $10 | All NSLI policies except RH | Prior to the insured's 60th birthday. |
| Beginning January 1, 1965 | | | |

*Between January 1, 1965, and December 31,1965, both dates inclusive, the applicant had to apply for the provision before his/her 60th birthday. On and after January 1, 1966, the applicant must apply before his/her 55th birthday. (PL 88-355, effective January 1, 1965.)

e. Prior to January 1, 1950, a service-incurred disability or injury less than total in degree, was waived in applying for the total disability income provision if the applicant could furnish proof that his/her lack of good health was a result of injury or disability incurred between October 8, 1940, and September 2, 1945, both date inclusive, while in service. Since January 1, 1950, health requirements are not waived in the issue or reinstatement of a total disability income provision with the following exception: A total disability income provision may be reinstated (or replaced with the same type of provision) as part of reinstatement or replacement of permanent plan policies under the provision of 38 U.S.C. 1981(a) provided the disability provision was in force at the time the policy was surrendered for cash.

f. Effective January 1, 1965, the only disability provision which can be added to policies is the $10 provision providing protection to age 65. This does not preclude reinstatement of lapsed provisions or reinstatement or replacement of provisions on policies reinstated or replaced under the provisions of 38 U.S.C. 1981.

***References:***

- 38 U.S.C. 1981: Replacement of Surrendered and Expired Insurance

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**Publication Date:** August 6, 2021

### 2.01 INSURANCE PREMIUM RATE AND DUE DATE

a. Insurance laws require payment of premiums in order to grant insurance. All insurance subject to the terms and conditions set forth in laws, regulations and the policy contract. The premium rate is based on the age of the insured on the birthday nearest the effective date of the policy, the amount and plan of insurance.

b. Premium rates may be obtained from the VA Insurance website or noted pamphlets below.

   1. VA Pamphlet 29-9, Service-Disabled Veterans Insurance, RH, Information and Premium Rates

   2. Veterans Mortgage Life Insurance, VMLI, Brochure.

c. The date on which a premium is due is the same date in the month as that on which the insurance was originally made effective and on the same day of each succeeding month during the lifetime of the insured, or for the period provided by the terms and conditions of the policy contract. If succeeding months do not contain that day of the month, the premium due date is the last day of the month.

***References:***

*Forms*

- VA Pamphlet 29-9: Service-Disabled Veterans Insurance RH Information and Premium Rates

- Veterans Mortgage Life Insurance, VMLI, Brochure.

## 2.02 TOTAL DISABILITY INCOME PROVISION PREMIUM (NSLI, including S-DVI)

a. Premiums for the total disability income provision (TDIP) are payable in the same manner and at the same time as premiums on the insurance policy. When the provision is added to permanent plans of insurance, the premiums are level premiums; that is, they remain the same. On term policies, premiums for the provision are level premiums for the duration of the term period. They are renewed at an increased rate each time a term contract is renewed with the following exceptions:

    1. The rates for ages 55 through 59 on the age 65 provision are payable to age 65 and will not increase at any subsequent renewal.

    2. The rate for age 60, on the $10 age 60 provision remain the same as for age 55.

b. The additional premium for the $5 provision is payable to the anniversary of the policy nearest the insured's 60th birthday or to the end of the premium-paying period of the policy, whichever is earlier. On the $10 age 60 provision, premiums are payable either to the insured's 60th birthday or the end of the premium-paying period of the policy, whichever is earlier. On the $10 age 65 provision premiums are payable either to the insured's 65th birthday or to the end of the premium paying period of the policy, whichever is earlier. On limited payment life policies other than those in the J series, the insured may elect to pay premiums either to his 65th birthday or to the end of the premium-paying period, whichever occurs first.

## 2.03 MODE OF PREMIUM PAYMENT

a. Premiums are payable in advance in legal tender of the United States. Payments drawn from foreign bank accounts must be in received in US currency.

    1. **Policies Issued Prior to August 9, 2021.** Policyholders with existing insurance policies prior to August 9, 2021, may maintain any previously selected annual, semiannual or quarterly modes of payment. Policyholders with renewable term policies issued prior to this date may also continue with these selected modes at the time of policy renewals. For existing policies with an established quarterly or semiannual premium mode, the Insured’s selected payment mode will be embedded into all VA Insurance systems. For these policies, the following also apply:

        a. Changes to either a monthly or annual mode can be done at any time.

        b. Individuals with monthly and annual modes selected prior to August 9, 2021 will remain with those selected modes unless insureds specifically request a quarterly or semiannual mode. Any such special request must be processed manually.

c. Payments made annually, semiannually or quarterly will be discounted at the following annual percent:

| | |
|---|---|
| V insurance (NSLI) | 7-1/2 percent |
| RH insurance (S-DVI) | 2-1/4 percent |
| RS and W Insurance (VSLI) | 7-1/2 percent |
| J, JR, JS, and K insurance (VRI) | 7-1/2 percent |

2. **Newly Issued Policies On or After August 9, 2021.** Effective August 9, 2021, all newly issued policies will only accept monthly or annual modes for premium payments.

   a. Annual payments made will be discounted at the following annual percent:

| | |
|---|---|
| RH insurance (S-DVI) | 2-1/4 percent |

b. On policies in the J series, no flat extra premium is charged. As of June 5, 1987, J program administrative costs are deducted from the program's gains alone, and the costs of the program are shared equally by all of the policyholders.

## 2.04 GRACE PERIOD, COMPUTATION OF GRACE PERIOD AND ACCEPTANCE OF A LATE PREMIUM

a. Insurance Service provides a grace period of 31 days, excluding the due date, without interest, for the payment of any premium due on a policy. The policy will remain in force during this period, but if the policy matures within the grace period, the unpaid premium or premiums will be deducted from the amount of Insurance payable.

b. Under Treasury's Fiscal Service Lockbox Provider's Statement of Work, the grace period will be computed to include 31 days from and after the date on which the premium was due. When a premium payment is mailed, the postmark date will be accepted as the date on which payment was tendered. If the last day for payment of any premium falls due on a Saturday, Sunday or legal holiday, the time period will be extended to include the following workday.

c. Payments not tendered within the grace period but tendered d within 61 days of the premium due date and during the lifetime of the insured may be accepted as timely.

d. When the postmark date on remittance-bearing insurance collections envelopes is missing or illegible, the Collections staff will determine the postmark date. The date is determined by subtracting 3 days from date of receipt for closed mail and 4 days for open mail. Collections handled in this way will be assigned as unencumbered funds.

**NOTE:** Payment from the unencumbered funds of an incompetent without a guardian will be applied to the premium due without regard to the date of certification by Fiduciary Service that there were sufficient unencumbered funds to the insured's credit on the due date of the premium or within the 31-day grace period.

## 2.05 METHODS OF PAYMENT

a. Payment of premiums and repayments on loan or lien accounts, may be made using one of the following methods:

   1. Direct payments in the form of a check, draft or money order payable to the VA.

      a. To be acceptable, checks or drafts must be paid upon presentation for payment. Payments may be made in cash to VA employees authorized to accept such payments; however, cash sent by mail will be at the insured's own risk.

      b. Payments may be made by a third party.

      c. This payment method also includes electronic fund transfers by automatic preauthorized debits from a bank account (VAMATIC/PAC) and online bill payments from the insured's bank account. Electronic fund transfers are only authorized for monthly insurance premium payments and insureds must provide prior authorization to VA Insurance to withdraw the payment from their bank account. Online bill payments are initiated by the insured through their bank.

   2. Allotment (ALT) from retirement pay or by persons entitled to retirement pay.

      a. The policyholder must authorize establishment of, or increases in, deductions from retirement pay. Authorization may be accepted over the telephone by an Insurance Specialist in the Call Center. Specialists must verify the identity of the caller prior to acceptance. The authorization should be documented. If the caller's identity cannot be properly verified, a written authorization should be requested. If authorization is received in writing, it must be signed by the insured, or a legally appointed representative.

      **Note**: Decision of the Comptroller General (B-123209, January 25, 1956) states that the military departments may not use active service pay or retirement pay to collect premiums unless the service member actually made an allotment or ratified the payment of premiums on their behalf by knowingly accepting a benefit arising out of such payment. A deduction from retirement pay of a person other than the insured is not acceptable.

   3. Deduction From Benefits (DFB) paid by VA (other than subsistence allowance)

      a. Authorization for DFB may be made in writing or over the telephone. Authorization may be accepted over the telephone by an Insurance Specialist in the Call Center. Specialists must verify the identity of the caller prior to acceptance. This authorization should be documented. If the caller's identity cannot be properly verified, a written authorization should be requested. If authorization is received in writing, it must be signed by the insured, or a legally appointed representative. If the insured is incompetent and has no legal representative and has a spouse to whom benefits are being paid under VA Disability Compensation, the spouse may authorize payment of insurance premiums through the deduction system. If the insured is incompetent and has no legal representative and an institutional award has been made in their behalf, the authorization may be executed by the Director of the station in

which the insured is hospitalized or receiving domiciliary care, and in appropriate cases by the chief officers of State hospitals or other institutions to whom similar awards have been approved.

b. The monthly benefits due and payable must equal or exceed the amount of the monthly premium payment.

c. The deduction made from the benefit payment will be for the insurance due in the succeeding calendar month. The authorization must be mailed or otherwise delivered to the VA no later than the last day of the calendar month preceding the month in which the first premium to be paid from benefits becomes due.

d. The authorization will continue in effect as long as the benefit payments due and payable are enough to pay the monthly premium or until the authorization is canceled by the insured or otherwise terminated.

e. The authorization may be canceled by the insured at any time by notice in writing to the VA or by telephone to the Call Center. Such cancellation will be effective on the first day of the month following that in which it is received in the VA.

f. The authorization will end if the benefit payment becomes less than the premium or if the benefits are no longer payable to the insured. If authorization was executed by the Director of a VA Medical Center or domiciliary of Chief Officer of a State hospital, or other institution, the authorization will cease and terminate at the termination of the institutional award. The insured will be notified by letter directed to his last address of record of the last address of record of the termination of authorization to deduct premiums, but failure to give such notice or failure to receive such notice will not prevent lapse of the insurance.

g. Deduction authorizations are not acceptable as payment to effect reinstatement of lapsed insurance. Deduction authorizations are acceptable for payment of the initial premium on new insurance. Also, deduction authorizations are acceptable for payment of the initial premium in connection with conversion, reduction, or change of plan, provided the insurance to be converted, reduced, or changed is being paid in this manner.

4. Waiver of Premiums Under 38 U.S.C. 1912 and 1948 during a period of total disability as defined in the policy and in 38 U.S.C. 1912 and 1948. The waiver applies to both insurance and disability premiums. A waiver granted under either section will suspend a waiver granted under 38 U.S.C. 1924 (in service waiver).

5. Waiver of Premiums Under 38 U.S.C. 1924 (formerly referred to Section 622 waiver). Premiums on term insurance or the pure insurance risk portion of premiums on permanent plans are waived during continuous active duty and for 120 days following separation from service in the Armed Forces. Payment of the full premium is required on permanent plan policies during the period of such waiver. (TDIP premiums are not waived under section 1924.)

6. Dividends may be used to pay premiums in the following instances:

a. Premiums are automatically deducted from any dividend credit account when a premium is not timely paid on any of the insured's policies.

b. When this premium option is in effect, dividends are automatically applied to pay premiums in advance only on the account on which the dividend was earned.

b. In addition to the above methods of paying premiums or indebtedness, the insured may request a deduction from the loan value of their policy, dividend credits, dividend deposits, or any refundable credits to pay premiums or to pay an indebtedness. Premiums for insurance and TDIP are also automatically withheld from the loan value or dividend credits if premiums are not paid through the month in which the loan is granted, or the refund of dividend credits is made.

c. Only one method may be selected to pay premiums and any indebtedness against the policy at any given time.

***References:***

- 38 U.S.C. 1912: Total Disability Waiver
- 38 U.S.C. 1948: Total Disability Waiver
- 38 U.S.C. 1924: In-Service Waiver of Premiums
- 38 U.S.C. 1960: Waiver of Premium Payments on Due Date
- Decision of the Comptroller General (B-123209, January 25, 1956)

*User Guides*

- Procedures on Processing VETSNET Writeouts in VISION and LifePro

## 2.06 APPLICATION OF PREMIUM PAYMENT

a. A payment received within 61 days from and after the premium due date and in the exact amount of the Insured's established premium mode will be applied to advance the next premium due date.

b. Any funds received over the Insured's set premium mode will be applied to the next mode's premium(s) due if sufficient to pay the next full premium mode payment due. If the funds are not enough to pay the next full premium mode payment due, the funds will be held in suspense until the funds are manually added to the policy or additional funds are received to automatically pay the next premium due. No additional discount over the discount applied due to the established premium mode will be applied.

c. Partial payments will be applied as follows:

1. **Shortages:** If the total premium payment is at least 90 percent of the next premium due for the chosen mode, the money received will be added to the premium due with a shortage. Any existing premium shortage will be deducted from the next premium received.

2. **Credits:** If the total premium payment is less than 90 percent of the next premium due for the chose mode, the money received will be held as a credit until additional funds are received to pay the next premium due.

c. Insureds are notified of the status of any credits or shortages. It is also reflected in the next premium bill.

## 2.07 THE SERVICEMEMBERS' CIVIAL RELIEF ACT (SCRA)

a. Under the authority of title 50 U.S.C. 3971, the Servicemembers' Civil Relief Act (SCRA) postpones or suspends certain commercial insurance premium obligations for active duty service members and reservists/National Guard while on active duty.

b. SCRA only covers commercial insurance plans, specifically individual contracts for whole, endowment, universal, or term life insurance. It does not cover group term life insurance coverage. VA life insurance policies are not covered by the SCRA.

c. SCRA protection is limited to:

1. The maximum amount of coverage available under SGLI, or

2. Plans in effect 180 days or more before the date of the insured's entry into military service and at the time of application

d. VA Insurance processes applications for relief under SCRA for other non-VA insurance when application is submitted on VA Form 29-380, Application for Protection of Commercial Life Insurance Policy. All applications should be directed to the Chief, Policy, Procedures and Training for determination.

***References:***

- 50 U.S.C. 3971: the Servicemembers' Civil Relief Act (SCRA)

*Forms*

- VA Form 29-380: Application for Protection of Commercial Life Insurance Policy

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**Publication Date:** March 29, 2019

### 3.01 GENERAL – LAPSE AND REVIVAL OF INSURANCE

a. An insurance policy will lapse unless the premium is paid when due or within the grace period of 31 days or sufficient credits are available before the end of the grace period to pay the unpaid premium. The policy will remain in force during the grace period and if the policy becomes a claim within the grace period, the unpaid premium or premiums will be deducted from the proceeds payable.

   1. VA Form 29-389, Notice of Lapse-No Physical Examination Required, for term or permanent plans of insurance within 6 months from the date of lapse.

   2. VA Form 29-389e, Notice of Past Due Payments, for temporary records. This form may be used to apply for reinstatement.

b. When a premium is not paid within the grace period, but payment is made during the lifetime of the insured and within 61 days after the premium due date, the payment may be regularly applied as a timely payment.

c. When the insured makes inquiry before the end of the 31-day grace period disclosing a clear intent to continue insurance protection, such as request for status, conversion, etc., an additional period not to exceed 60 days may be granted for payment of premiums due. Such premiums must be paid during the lifetime of the insured.

d. An insurance policy will not lapse:

   1. While the insured has authorized an allotment from military retirement pay to cover premiums for such insurance and the authorization has not been discontinued even though no deductions from pay are made, or, if made, are not transmitted to VA.

   2. If the insured has authorized deductions from VA benefits in accordance with VA regulations, even though such deduction is not made, if, upon the due date of the premium, there were due and payable to the insured VA monthly benefit payments sufficient to provide the payment.

   3. When it appears by satisfactory proof that the insured, or any person acting on his behalf, deposited in the mail within the grace period or in accordance with 38 CFR 8.2(d) (premium was tendered during the lifetime of the insured and within 61 days from the premium due date in an envelope addressed to VA containing money, check, draft, or money order in payment of premium.)

e. The reserve of the paid-up additions will not be used to prevent lapse of the parent policy.

f. Paid-up additions will be retained in the master record when the basic policy is lapsed or at expiration of extended insurance. The lapsed basic policy will remain on the master record as long as the paid-up additions remain in force.

g. When a policy lapses and is going to be placed on extended insurance and there are both paid-up additions on the policy and an outstanding loan, the ratio between the reserve on the paid-up additions and the reserve on the lapsed basic policy will determine the amount of loan that will be collected from the lapsed basic policy and the amount of loan that will remain on the paid-up additions.

h. If the dividend option on the date of lapse was paid-up additions, dividends payable on the extended insurance will be applied to purchase additional paid-up additions. The dividend option may not be changed to paid-up additions while the basic policy is lapsed including on extended insurance.

i. When a 5-Year Level Premium Term policyholder informs VA the insurance is not desired, the usual lapse procedures will not be taken. Instead, any credits and dividends will be paid when the policy is terminated.

***References:***

- 38 CFR 8.2(d): Payment of Premiums

*Forms*

- VA Form 29-389, Notice of Lapse

## 3.02 Guaranteed Values After Lapse (Permanent Plans)

a. Permanent plan policies on a premium-paying basis for 1 year or longer have cash, loan, paid-up, and extended term insurance values. When a permanent plan, other than J, JR, JS insurance, is in force less than a year, it has extended term insurance value if premiums have been paid or waived for at least 3 months. (On or before August 2, 1948, a permanent plan policy had to be in force 1 year to have extended term insurance value.)

b. A lapsed permanent plan is extended automatically as term insurance, as long as it has been in force at least three months. The extended term insurance will be for an amount of insurance equal to the face value of the policy, less any indebtedness. It will be for such time from the date of lapse that the cash value, plus dividend deposits, less any indebtedness, will purchase when applied as a net single premium at the attained age of the insured with the following exceptions:

    1. On endowment policies, protection will not extend beyond the endowment period. (The amount of reserve not needed to purchase extended term insurance to the end of the endowment period is used to purchase pure endowment. Pure endowment is payable to the insured if he is living at the end of the endowment period or to the beneficiary if the insured dies after the maturity date and before settlement is effected.)

    2. On policies providing lifetime coverage, protection will not extend beyond the time the policy will mature as an endowment. (The reserve in these cases will include dividends on deposit, and the amount not required to purchase extended term insurance is payable to the insured at the time the policy is placed on extended term insurance.)

    3. On modified life, the extended term insurance will be the amount of insurance in force on the date of lapse minus any indebtedness. Where extended term insurance is in force at the end of the day preceding the insured's 65th birthday on modified life @ age 65 or 70th birthday on modified life @ age 70, the amount of extended term insurance in force will be reduced by one-half.

c. If a permanent plan policy lapses before the end of the first policy year, the extended term insurance does not have a cash or loan value. If the policy lapses after the first policy year, the extended term insurance does not have a loan value but does have a cash value.

d. For the purpose of computing extended term insurance, the attained age is the age at issue of the policy plus the number of years and months from the effective date of the policy to the lapse date or date the extended term insurance becomes effective.

e. Term insurance has no extended term insurance value.

## 3.03 REVIVAL OF INSURANCE

a. A participating NSLI policy may be revived if death, total disability, or total and permanent disability benefits were not granted solely because the policy was lapsed provided:

   1. The policyholder died, or became totally disabled or totally and permanently disabled before the next anniversary date of his policy following the date of lapse, and

   2. The regular dividends which have accrued on the policy as the result of premiums paid since the last anniversary date and which are not payable until after the date of death or total disability of the policyholder are sufficient to have maintained that policy in force to the required date.

b. A participating or non-participating policy may be revived if death, total disability or total permanent disability benefits were not granted solely because the policy was lapsed provided:

   1. The policyholder dies, or becomes totally disabled or totally and permanently disabled, and

   2. There was due and payable to the policyholder on the date of lapse unpaid dividends, refundable premiums, pure insurance risk credits, other refundable credits, or total permanent disability or total disability benefits payment which are sufficient to maintain the insurance in force on a premium-paying basis to date of death, or the beginning date of total disability or the beginning date of total and permanent disability.

c. A lapsed policy will be considered in force on the date of death or date of total permanent or total disability if the sole reason death benefits or total permanent or total disability benefits cannot be granted is due to lapse provided:

   1. The policyholder dies or becomes totally or totally and permanently disabled within 61 days of the due date of the premium in default, and

   2. The policy prior to lapse had been in force for 5 years or more and during the 5 years immediately preceding the date of lapse the insurance has not been lapsed at any one time in excess of 6 months. The monthly premium due on the date of lapse and the following monthly premium(s) will become a lien against the policy.

## 3.04 TERM CAPPING

a. Beginning on September 11, 2000, National Service Life Insurance policies prefixed with "V" or Veterans Special Life Insurance policies prefixed with "RS," issued on a 5-year level premium term plan were capped (frozen) at the renewal age 70 premium rate.

b. 5-year level premium term plan policies generally do not accrue cash value. However, 38 CFR 8.33 provided for cash value for "V" and "RS" term-capped policies on September 11, 2000. These term- capped policies begin earning cash value when the policyholder turns 72.

c. The following options are available to term capped policyholders when their policy lapses or when their policy is canceled, upon request (Insurance Not Desired).

   1. Request to receive a termination dividend as a cash payout.

   2. Request to use the termination dividend to purchase paid up insurance (PUA).

   3. Take no action and at final lapse the termination dividend will be used to purchase PUA.

d. PUA may be surrendered regardless of how long they have been in force. This includes "V" and "RS" term capped policies with PUA. Term capped policies with PUA may be reinstated after surrender with the five year reinstatement period.

e. If term capped policies lapse or are voluntarily terminated, they can be reinstated at any time within 5 years from the lapse or termination date, regardless of whether the policyholder received PUA or cash. The following requirements must be met to reinstate the term capped policy:

   1. Term Capped Policies –Requirements for Reinstatement Within 6 Months Of Lapse

      a) Submit VA Form 29-353 (Application for Reinstatement (Non-Medical – Comparative Health))

      b) Reinstatement Cost

         1) Two monthly premiums – the month of lapse and the month of reinstatement; and

         2) Any amounts received as cash or loan as a result of receiving cash value at term capping. This may include:

            i. Dividends paid as cash from PUA bought with term capped cash value.

            ii. Unpaid loan balance that was granted after policy was term capped and PUA were purchased with the cash value.

            iii. Amount received if PUA purchased with term capped cash value were surrendered for cash.

            iv. Amount received if term capped policy was surrendered for cash.

   2. Term Capped Policies – Requirements for Reinstatement Beyond 6 Months of Lapse

      a) Submit VA Form 29-352 (Application for Reinstatement (Medical))

      b) Reinstatement Cost:

         1) Two monthly premiums – the month of lapse and the month of reinstatement; and

2) The difference in the reserve between either the cash value received at termination of the term capped policy or the value of PUA bought with term capped cash value and the current reserve value of the reinstated policy.

3) Any of the following amounts, if applicable:

   i. All or part of an unpaid loan on PUA bought with term capped cash value. The repayment amount will depend on whether or not some PUA will remain upon reinstatement. In some cases, none of the loan will have to be repaid.

   ii. Cash value of term capped PUA. This amount must be repaid if PUA were surrendered.

4) The reinstatement cost will be reduced by the following, if applicable:

   i. Any dividends due from PUA bought with term capped cash value from the last paid dividend anniversary date to projected reinstatement date. This dividend will be used to reduce the reserve amount due.

   ii. Any pending premium remittance that may exist.

f. Normally, an applicant who meets the health requirements to reinstate lapsed insurance also meets the health requirements to reinstate the TDIP. The applicant must meet the requirements of good health to reinstate the TDIP that was in force to the date of lapse.

***References:***

- 38 CFR 8.33: Cash Value for Term-Capped Policies

*Forms*

- VA Form 29-353: Application for Reinstatement
- VA Form 29-352: Application for Reinstatement (Insurance Lapsed More Than 6 Months)

## 3.05 GENERAL - REINSTATEMENT

a. A United States Government Life Insurance or National Service Life Insurance permanent plan policy that has lapsed from nonpayment of premiums and has not been surrendered for cash or for paid-up insurance may be reinstated upon submission of an application signed by the applicant, and except as hereinafter provided, upon payment of all premiums in arrears, with interest from their several due dates to the month of reinstatement. The applicant, at the time of application and payment of the required premiums and interest, must be in the required state of health and submit evidence thereof.

b. If the last day of any time period specified or allowed for filing application for reinstatement falls due on a Saturday, Sunday, or legal holiday (Federal), the time period will be extended to include the following workday.

c. An application for reinstatement may be accepted if the amount tendered is less than the amount required for reinstatement provided:

   1. The payment is not less than 90 percent of 1 monthly premium;

   2. The shortage, plus any accumulated shortage and minus any overage, does not exceed 10 percent of 1 monthly premium on the amount of insurance being reinstated.

   The premium shortage will be charged against the insurance, and the insured will be promptly notified that the shortage should be paid immediately to prevent a possible lapse of the insurance.

   3. All reinstatements are effected on a monthly mode of premium payment regardless of the mode of premium payment at the time of lapse or the mode of premium payment desired at time of reinstatement. However, if the insured remits an amount which will pay premiums 3 or more months beyond the month of reinstatement, discount for advance premiums, including the month of reinstatement, will be allowed.

d. Dividends due and payable as of the date of reinstatement may be applied toward the cost of reinstatement provided such request accompanies or precedes the application for reinstatement.

e. If the insurance becomes a claim after tender of the amount necessary to meet reinstatement requirements but before full reinstatement requirements have been met, the Assistant Director for Insurance Operations may waive requirements for reinstatement (except monetary requirements) if the applicant is dead or, if the applicant is living, allow compliance as of the date the required amount necessary to reinstate was received by the VA, provided:

   1. The applicant was in the required state of health as of the date that they paid the amount necessary to meet reinstatement requirements;

   2. There is a satisfactory reason for the applicant's noncompliance.

## 3.06 PERSONS ELIGIBLE TO REINSTATE

a. A permanent plan of insurance may be reinstated by a third party by submission of premiums in arrears, with interest when required, provided one of the conditions listed below exists: (An additional requirement for J, JR, and JS policies is that requirements must be met within 5 years from date of lapse.)

   1. There are 5 or more years of extended term insurance at time of reinstatement.

   2. The extended term insurance will provide protection to the end of the endowment period.

b. Where medical evidence (non-comparative health period) is required, an application for reinstatement must be signed by the policyholder. Where the insured is incompetent, the application can only be signed by a court-appointed guardian or federal fiduciary.

## 3.07 AMOUNT TO BE REINSTATED

a. Term and permanent plans of insurance may be reinstated in whole or in part under certain conditions. The face amount of a policy may be reinstated even if that amount is an odd amount or less than $1,000. If less than the face amount is to be reinstated, the amount to be reinstated will be in multiples of $500 but not less than $1,000. The exception is the ordinary life plan issued in connection with the modified life plan.

b. If less than the face amount of an ordinary life plan issued in connection with the modified life plan is to be reinstated, the amount to be reinstated will be in multiples of $250 but not less than $500.

## 3.08 REQUIREMENTS - TERM INSURANCE

a. Title 38 United States Code sections 1905 and 1945 provide that lapsed term insurance may be reinstated at any time within 5 years minus one day of the date of lapse upon submission of the required health evidence and two monthly premiums - one for the month of lapse and one for the premium month in which reinstatement requirements are met. The two monthly premiums required will be one at the rate for the expired term and one at the rate for the new term if the reinstatement is effective in the following term period. Any outstanding lien must be paid or reinstated.

b. The two premiums required for reinstatement must be tendered within 31 days of the date the application for reinstatement is executed.

c. The requirements for evidence of health for reinstatement of insurance are shown below. Where the insurance to be reinstated is RH and application is made within 1 year of the date of lapse, any service-connected disability existing at the time the insurance was issued will be waived for the purpose of reinstatement, including natural progression.

   1. If the application for reinstatement and payment of premiums are submitted within 6 premium months (including the premium month of the first premium in default), a comparative health statement over the policyholder's signature is required showing that they are in as good health on the date of application and payment of premiums as they were on the last day of the grace period of the first premium in default.

   **NOTE**: VA Form 29-353 (Application for Reinstatement (Non-medical, Comparative Health)) can be submitted when lapsed less than six months. Additionally, comparative health reinstatements may be processed by the Insurance Center Telephone Unit.

   2. If application for reinstatement and payment of premiums is made on or after the due date of the seventh unpaid premium, an application showing that the insured is in good health on the date of application and payment of premiums is required.

   **NOTE 1**: VA Form 29-352 (Application for Reinstatement) must be submitted when lapsed more than six months.

   **NOTE 2**: The VA retains the right to request a physical examination on any type of reinstatement when it is needed to develop the true state of the applicant's health.

***References:***

- 38 U.S.C. 1905: Renewal
- 38 U.S.C. 1945: Renewal

*Forms*

- VA Form 29-353: Application for Reinstatement
- VA Form 29-352: Application for Reinstatement (Insurance Lapsed More Than 6 Months)

## 3.09 REQUIREMENTS - PERMANENT PLANS

a. Insurance which has not been surrendered for its cash value or paid-up insurance may be reinstated at any time except as noted in subparagraphs (1) and (2):

   1. An endowment policy must be reinstated within the endowment period.

   2. A J, JR or JS policy must be reinstated within 5 years from date of lapse.

b. Payment of all premiums in arrears is required. Interest will not be charged if reinstatement is effected within 6 months from the date of lapse. When the effective date of reinstatement of a permanent plan is more than 6 months after the date of lapse, interest must be paid on the premiums in arrears. The interest charged on premiums in arrears in connection with the reinstatement of NSLI, VSLI, and VRI is 7.5 percent per annum. S-DVI interest is charged at 5 percent per annum.

c. Payment or reinstatement of outstanding loans or liens at time of lapse is required.

d. Submission of health evidence is required unless premiums in arrears and interest are submitted within 5 years of the date the extended term insurance will expire; or when the extended term insurance under an endowment policy provides protection to the end of the endowment period and payment of the required premium in arrears and interest is made before the maturity date of the policy.

e. Disabilities are not waived except that any service-connected disability (including natural progression) existing at the time RH, J, JR, or JS insurance was issued will be waived for the purpose of reinstatement if application for reinstatement is made within 1 year of the date of lapse.

f. The amount required for reinstatement must be tendered within 31 days of the date the application is executed.

g. For cases other than those referred to in subparagraph d above, the submission of health evidence is required as indicated below:

   1. If application for reinstatement and payment of premiums is submitted within 6 premium months of the date of lapse, a comparative health statement is required showing that he or she is in as good health on the date of application and payment of premiums as he or she was on the last day of the grace period of the first premium in default.

**NOTE**: VA Form 29-353 (Application for Reinstatement (Non-medical, Comparative Health)) can be submitted when lapsed less than six months. Additionally, comparative health reinstatements may be processed by the Insurance Center Telephone Unit.

2. If application for reinstatement and payment of premiums is made on or after the due date of the seventh premium in default, an application showing that the insured is in good health on the date of application and payment of premiums and interest is required.

**NOTE 1**: VA Form 29-352 (Application for Reinstatement) must be submitted when lapsed more than six months.

**NOTE 2**: The VA retains the right to request a physical examination on any type of reinstatement when it is needed to develop the true state of the applicant's health.

***References:***

*Forms*

- VA Form 29-353: Application for Reinstatement
- VA Form 29-352: Application for Reinstatement (Insurance Lapsed More Than 6 Months)

## 3.10 INFORMAL APPLICATIONS FOR REINSTATEMENT

a. A remittance, series of remittances and/or credit which meet monetary requirements for reinstatement will be accepted as an informal application for reinstatement provided:

   1. The required amount becomes available during the comparative health period and is not applicable as premiums.

   2. The policyholder submits an acceptable certification of health within 31 days from the date of notification.

b. If an acceptable application for reinstatement is received prior to receipt of the certification of health, process the application. However, if the application is unacceptable, it should be considered as a supplemental certificate of health. (Example: The formal application for reinstatement was postmarked after the due date of the 7th month of lapse but within the 31-day period referred to in subparagraph (2) above.)

## 3.11 INDEBTEDNESS AT TIME OF REINSTATEMENT

The payment or reinstatement of any indebtedness against the policy must be made, with interest, at the time of reinstatement. If such indebtedness with interest exceeds the reserve of the policy at time of application for reinstatement, the amount of the excess must be paid by the applicant as a condition of the reinstatement of the indebtedness and of the policy. The applicant must pay all required indebtedness and interest in excess of the policy reserve within 31 days from the date of cancellation (date the indebtedness with interest exceeds the reserve of the policy).

## 3.12 EFFECTIVE DATE OF REINSTATEMENT

Reinstatement is effected when an acceptable application and the required monetary payments are delivered to VA. If application for the reinstatement is submitted by mail, the postmark date shall be the date of delivery. The effective date of reinstatement of the insurance shall be the premium month in which the delivery or postmark date of the application and monetary requirements for reinstatement are met.

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### 4.01 CALCULATION OF TIME PERIOD

For all National Service Life Insurance programs, if the last day of a time period specified in 38 CFR 8.6 or allowed for filing an application or for applying for reinstatement thereof, or paying premiums due, falls on a Saturday, Sunday, or legal holiday, the time period will be extended to include the following workday.

***References:***

- 38 CFR 8.6: Calculation of Time Period

### 4.02 INQUIRY PRIOR TO EXPIRATION OF GRACE PERIOD

When an insured makes inquiry before the end of the grace period disclosing a clear intent to continue insurance, an additional period not exceeding 61 days may be granted for payment of premiums due. The premiums in any such case must be paid during the lifetime of the insured. See 38 CFR 8.7(d).

***References:***

- Reinstatement of National Service Life Insurance Except Insurance Issues Pursuant to Section 1925 of Title 38 U.S.C.

## 4.03 LATE PREMIUMS DUE TO NO FAULT OF THE INSURED

a. When a policyholder pays a premium by check, money order or other electronic method, and it is shown by satisfactory evidence that:

| The following error occurred: | Then: |
|---|---|
| **An error by the bank** | The policyholder has an additional 31 days (from the date stamped on the letter from VA indicating premiums are past due) to pay the premium and any other premiums due through the current month. |
| **An error in the check, money order, or other electronic payment method** | The policyholder has an additional 31 days (same as above). |
| **The bank closed** | The policyholder has an additional 31 days (same as above). |
| **The money order was lost in transit** | The policyholder has an additional 31 days (same as above). |
| **Lack of funds** | The premium is considered not paid. |

## 4.04 DEATH OF INSURED IN 31-DAY GRACE PERIOD

If the insured dies within the 31-day grace period, VA will deduct the unpaid premium from the amount of insurance payable.

## 4.05 DELAYS CAUSED BY DISASTER CONDITIONS

a. Occasionally, policyholders living in an area which has been declared a disaster area will experience unavoidable delays in meeting the time limitation for premium payments or in submitting applications which are affected by delimiting dates, and the reason for the delay is alleged to have been due to the disaster or to its aftereffects.

b. Where a statement in writing is received from the insured, his agent or guardian giving the reason for the delay and the cause may reasonably be considered as attributable to the disaster or its aftereffects, the premium payment or application may be accepted as timely, provided:

    1. The premium payment or application was tendered within a period not to exceed 90 days from the date of the disaster, and

    2. The grace period or the period allowed for submission of the application expired during the delimiting period specified above.

c. Where a recent lapse would cause a claim for disability waiver or a death claim to be disallowed, and there is evidence on record indicating that a disaster area may have prevented timely premium payment or application, consideration should be given to adjustment, establishment of liens if necessary, and allowance of the claim.

d. The establishment of delimiting dates and the approval of adjustments regarding delayed payments and/or delayed applications is restricted to the Deputy Director for Insurance and to the Assistant Director, Insurance Operations Division, or another

Insurance management official designated by the Director, VA Insurance. However, the period of time allowed may not exceed 90 days from the date of the disaster involved.

e. If the branches of service finance centers or the Defense Finance and Accounting Service (DFAS) become inoperative due to a natural disaster or war catastrophe, insurance coverage paid through an allotment of military retirement pay will continue without lapse and, as soon as possible, payment will be brought up to date based upon the latest payment register listing available. Under such arrangement, premium payments so made will be subject to subsequent adjustment based on documents received and not processed during the period involved.

f. During a period of disaster conditions, processing of loans and adjudication of death claims will be expedited for those policyholders and beneficiaries impacted by the disaster.

## 4.06 ADMINISTRATIVE ERROR ON PART OF VA

a. If VA provides incorrect information to the insured through an administrative error for which VA alone was responsible, and because of this error the insured failed to make timely payment of premiums, the insured shall not be placed in a worse position as a result of the error. When an error of this type occurs and the next succeeding premium was timely paid, the insurance will not be considered to have lapsed. A lien will be established for the amount of the missing premium.

b. When a policyholder pays a premium by check or money order and it is honored by the bank after deposit by VA, but it is not credited to the policyholder's account, the policyholder has an additional 31 days to provide a copy of the negotiated check or money order.

c. Where more than 6 months have elapsed since the due date of the premium in default and the account may not be adjusted under subparagraph a above, the insured will be advised of the reinstatement requirements. If there are unusual circumstances in an individual case which make it appear that adjustment should be considered, the case will be submitted to the Assistant Director, Insurance Program Management Division.

## 4.07 ADMINISTRATIVE ADJUSTMENTS

a. When examination of a lapsed account shows that credits (38 U.S.C. 1907 and 38 CFR 8.10) applied as premiums have been exhausted and the policyholder was not advised in time to remit timely premium payments, the policyholder will be allowed a period of 31 days from the date of the letter to pay all missing premiums without interest through the current month, provided:

   1. No more than 6 months have elapsed since the due date of the premium in default, and

   2. The payment requested is paid during the lifetime of the insured.

      **NOTE:** Release of the dividend credit statement or other type notice to the latest address of record constitutes adequate notice.

b. If the policyholder has been notified that the account had lapsed after expiration of the credits, the account will not be adjusted. However, if the policyholder acted within 6 months after notice of lapse in such manner as to manifest an intention to continue insurance (for example by tender of premiums or the submission of an acceptable application for reinstatement), the insured will be permitted to continue coverage as long as such intention occurs during the lifetime of the insured.

***References:***

- 38 U.S.C. 1907: Payment or Use of Dividends
- 38 CFR 8.10: How Paid

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## Subchapter 1. Dividends for Current and Future Years

### 5.01 GENERAL

a. The authority for payment of dividends on NSLI (National Service Life Insurance), including Veterans' Special Life Insurance (VSLI) and Veterans' Reopened Insurance (VRI) and USGLI (United States Government Life Insurance) is contained in 38 U.S.C. 1906, 1923, 1925, and 1944. They are payable from gains and savings as determined by the Secretary, and are payable on the day before the anniversary date of the eligible policy unless the Secretary shall declare them payable on some other date.

b. Dividends on government life insurance are referred to as annual or regular dividends, special dividends, or termination dividends. For the most part they are payable on the life contract; however, both regular and special dividends have been paid on some TDIP (total disability income provisions) attached to NSLI policies.

c. Historical dividend rate scales are available from the Actuarial Staff. Current dividends are calculated by VA systems.

d. Dividends are not payable on insurance:

   1. Issued under the provisions of 38 U.S.C. 1922 (RH Insurance)

2. Issued under the provisions of 38 U.S.C. 1904(c).

3. Issued under the ordinary life plan to replace the amount of insurance reduced under a nonparticipating modified life plan issued under 38 U.S.C. 1904(c).

4. On which premiums are waived under the provisions of 38 U.S.C. 1912(d) during the period such waiver is in effect.

5. Policies which are canceled.

6. Earned dividends are not forfeited when insurance is canceled under 38 U.S.C. 1911 and 1954 (persons guilty of mutiny, treason, spying or desertion, or who, because of conscientious objections refuse to perform service in the Armed Forces, etc.). Forfeiture under either of those sections applies only to the rights to insurance but does not affect the earned dividends or contract values (including paid up additions) existing on the date of cancellation.

7. Policies fraudulently obtained even though VA retains the premiums paid before the date of the fraud decision.

8. Policies fraudulently reinstated from the date of reinstatement even though VA retains the premiums from the date of reinstatement to the date of fraud decision. Dividends earned before the fraudulent reinstatement are payable.

e. When a modified life policy has been reduced because the insured reached age 65 or 70, depending upon the particular policy, the dividend is computed in the usual way and then doubled to compensate for the reduction. If special ordinary life was purchased when the modified life was reduced, dividends on the modified life are computed as provided above and dividends on the special ordinary life are computed in the usual way. The doubling of dividends applies only to those reduced modified life policies on which premiums are being paid or waived and does not include paid-up additions which may be attached to these policies, or reduced paid-up insurance (how paid 2).

f. An annual dividend will be reduced to offset a lien indebtedness before it is applied to purchase paid-up additions.

g. When dividends are authorized or authorized and made pending, the transaction history print line will include dividends on the parent policy, the life paid-up additions and the endowment paid-up additions, if all three are present.

***References:***

- 38 U.S.C. 1906: Policy Provisions
- 38 U.S.C. 1923: Veterans' Special Life Insurance
- 38 U.S.C. 1925: Limited Period for Acquiring Insurance
- 38 U.S.C. 1944: Policy Provisions
- 38 U.S.C. 1922: Legacy Service-Disabled Veterans' Insurance
- 38 U.S.C. 1904: Plans of Insurance
- 38 U.S.C. 1912: Total Disability Waiver
- 38 U.S.C. 1911: Forfeiture
- 38 U.S.C. 1954: Forfeiture

## 5.02 ELIGIBILITY

a. Accounts on which premiums are paid and earned for at least 1 month in the dividend year are eligible to participate in dividends for that year. (The dividend year is the 12-month period from the preceding anniversary date to the current anniversary date of the policy). Paid-up policies are eligible to participate in dividends. Insurance inforce as extended term insurance is eligible to participate; however, dividends are not currently being paid on extended term which arose from a modified life or special ordinary life plan.

b. For dividend purposes, premiums are considered paid if paid by direct remittance or a deduction from service or retired pay, deduction from benefit payments, waived under section 1912 or 1948 for total disability (except 1912(d)), deductions from policy loans, application of dividends to premiums, or if liens are established to pay missing premiums. Dividends are not payable for "skip months" on term accounts as the premiums for these months are not paid.

c. When paid-up additions are changed because of a change of plan, the paid-up additions will be entitled to dividends from the effective date of the paid-up additions or from the last anniversary date through which dividends have been credited on the paid-up additions, whichever is later, to the date of change.

d. The dividends will be authorized as of the date of change using the dividend rate schedule for the year of change, if available; otherwise, the dividend rate schedule for the prior year.

***References:***

- 38 U.S.C. 1912: Total Disability Waiver
- 38 U.S.C. 1948: Total Disability Provision

## 5.03 WHEN PAYABLE

a. The dividend for each eligible policy is payable on the day before the policy anniversary date unless the policy is terminated sooner by death or surrendered for cash. (On extended term insurance policies, the anniversary date is the anniversary date of the parent policy.) Dividends may be authorized in the 11th month if the premium for the 10th month has been paid and the dividend is sufficient to pay premiums for both the 11th and 12th months.

b. Dividends due on death and cash surrender cases for the months after the policy anniversary up to the date of termination will be paid at the time of settlement. They will be computed in the same manner and at the same monthly rate as regular dividends, using the last year's dividend rate if the rate for the current year is not available. For accounting and other purposes, these dividends will be paid as settlement dividends. Dividends due on matured endowment policies are also paid at time of settlement.

## 5.04 DIVIDEND MONTHS PAYABLE

a. In reviewing an account for the current dividend, months for which premiums are paid and earned will be counted:

   **From the:**

   1. Anniversary date in the preceding calendar year, if the account was effective before that date; or

   2. Effective date, if the account was established by issue, renewal, or current date conversion effective in the preceding calendar year; or

   3. Date the change became effective, if the account was established by retroactive conversion, division, or change of permanent plan after the anniversary of the account in the preceding calendar year.

   **To the:**

   1. Current anniversary, if the account was active to that date, or the date of lapse, if before the current anniversary; or

   2. Effective date of change, if the account was closed by conversion, consolidation, or change of permanent plan before the current anniversary; or

   3. Premium due date following the date of surrender, if surrender was before the current anniversary and the insurance was in force.

**NOTE:** When surrender is for paid-up insurance, a dividend is payable on the parent contract up to the date of surrender for paid-up insurance and on the paid-up insurance to the anniversary date of the parent contract.

b. Dividend months payable on NSLI extended insurance accounts will be counted as follows:

   **From the:**

   1. Anniversary month of the parent policy in the preceding calendar year, if the parent policy lapsed on or before that month; or

   2. Month of lapse of the parent policy (effective month of extended term insurance) if lapse occurred during the current dividend year.

   **To the:**

   1. Current anniversary month of the parent policy, provided extended insurance was in force at the end of the dividend year; or

   2. Last full calendar month in which extended insurance expired, or calendar month of death, if this occurred before the anniversary month of the parent policy.

3. Premium due date following the premium month in which the extended term insurance was surrendered for its cash value.

**NOTE:** When indebtedness exceeds the reserve and insurance is automatically surrendered, dividends are payable only for the full policy months the insurance was in force after the preceding anniversary date. For example, when the anniversary date is November 1 and the insurance is terminated March 15, the current dividend will be for 4 months, November through February.

## 5.05 DISPOSITION OF DIVIDENDS OF LESS THAN $1

a. When the account is on a premium paying basis and the dividend option is cash, dividends of less than $1 will be disposed of as indicated below:

   1. When the gross dividend is less than $1 and there is no indebtedness on the account, the payment will be disbursed.

   2. When part of the dividend is used to pay a lien or shortage and the balance of the dividend is less than $1, the balance will be retained as a premium credit. The system will release VA Form 29-5885, Information About Your Insurance, with an appropriate message.

b. When the account is on a premium-paying basis, the dividend option is dividend credit, and the insured requests a dividend credit balance of less than $1, the refund will not be made on an initial request unless it is indicated that the insured is aware that the balance is less than $1.

## 5.06 DIVIDEND OPTIONS

a. There are nine options for disposition of dividends. They are:

   1. Credit

   2. Cash

   3. Deposit (permanent plans only)

   4. Premium

   5. Indebtedness

   6. Paid-up additions (NSLI, VSLI, and VRI only)

   7. Net Cash

   8. Net PUA

   9. Net Loan-Lien

b. A request for an option other than one of the above will be rejected and the insured advised of the available options.

## 5.07 SELECTION OR CHANGE OF DIVIDEND OPTION-COMPETENT VETERANS

a. The insured, while competent, may select or change a dividend option. In the absence of a selection, dividends are held under the credit option. The insured or the insured through an attorney-in-fact, legal guardian, or federal fiduciary may request withdrawal of dividend credit or deposit monies.

b. The insured may change a dividend option by either written request or telephone contact.

c. Requests by telephone will be accepted subject to the following conditions:

    1. The request must be made by the insured. This will be established through internal identity verification procedures.

    2. The dividend option will not be changed to cash if the request is made concurrently with an address change. The insured will be informed that these actions, if requested concurrently, must be requested in writing.

d. Written confirmation will be released to the insured's last address of record, when a dividend option change is accepted by telephone.

e. Changes of option may be made at any time, but such change will not affect the disposition of dividends which became payable before the date of the request for change except as follows:

    1. When the insured requests withdrawal from dividend credit, unpaid premiums for the month in which the refund is being made will be withdrawn from dividend credit prior to refund.

    2. When the credit option is in effect on the anniversary date and a request for cash, premium, or deposit option is received postmarked after the anniversary date but before the dividend is processed, the new selection will be honored. However, any amount required for premiums under the credit option will be applied.

f. Care will be exercised to distinguish between requests which are intended only to change the disposition of future dividends or only to withdraw dividends held under the credit or deposit option. When the request is not specific or the intent of the insured is not clear, the insured will be asked to clarify the request before any action is taken.

g. When the insured has more than one policy and does not indicate otherwise, it will be assumed that the selection or change of option covers all policies, provided the selected option is acceptable on all policies.

h. The effective date of selection or change of dividend option will be the date the request is mailed or otherwise delivered to the VA.

## 5.08 SELECTION OR CHANGE OF DIVIDEND OPTION-INCOMPETENT VETERANS

a. Dividend option selections, requests for change of dividend option or requests for withdrawals from dividend credit or deposits, submitted by a federal fiduciary, legal guardian (includes guardian, conservator, curator, committee or trustee appointed by court order), or power of attorney (POA) are acceptable. When the dividend withdrawal is requested by a legal guardian or POA, the refund will be processed. When the dividend withdrawal amount is requested by a federal fiduciary, refer to guidelines in M29-1, Part I, Chapter 6.03.

b. When notice of termination of incompetency is received, VA will ensure the next dividend payment letter and annual statement are sent to the Veteran rather than the prior fiduciary.

c. If an incompetent Veteran requests a change of dividend option, it will be disapproved and the federal fiduciary (or legal guardian or POA if of record) will be notified.

d. If a guardian has not been appointed and the insured is a patient in a VA hospital, refund will be made to the Director of that hospital.

***References:***

- M29-1, Part I, Chapter 6, Section 6.03: Refunds on Incompetency Cases

## 5.09 CREDIT OPTION

a. This option provides for the retention of dividends as a credit with interest, to pay premiums monthly to prevent lapse. If the insured fails to pay a premium when due or within the time allowed, a monthly premium is withdrawn from the dividend credit balance.

b. Under the credit option, a dividend for the current year is subject to automatic application for the 11th and 12th month premiums provided premium for the 10th month of the policy year has been paid and the dividend amount is sufficient to pay both the 11th and 12th month premiums.

c. Dividends earned on one policy of an insured may be applied automatically in payment of:

   1. Due and unpaid premiums on any other policy of the insured regardless of the insurance fund;

   2. Unpaid premiums in connection with a change of permanent plan or other contract change, provided the dividend became payable before the expiration of the grace period allowed for payment of the unpaid premium involved.

d. Dividend credit is placed on deposit on the same policy on which it was earned. A dividend credit under one contract may never be transferred to a deposit account on another contract.

e. When a permanent plan is divided, the dividend credits will be similarly divided. When two or more permanent plans are consolidated, dividend credits will also be consolidated.

f. Upon conversion of all or part of a term policy, the disposition of dividend credit will be as indicated below.

    1. When a term policy is converted or a part is converted and the balance of the term insurance is discontinued, the entire dividend credit on the term contract becomes the credit account on the permanent plan policy. This credit option continues unless the insured requests a change of option. Although the deposit option was not available before conversion, it becomes available upon conversion. The entire credit and future regular dividends may then be placed on deposit, upon request of the insured.

    2. When part of the term policy is converted and the balance of the term insurance is continued in force, the dividend credit, as of the date of conversion, is divided into two credit accounts in the same proportion as the basic term contract is divided. The credits on the permanent plan policy may be changed to deposit upon request of the insured. The credits on the term plan may not be changed to dividend deposits.

    3. When part of a term policy is converted, part is continued as term insurance and the balance is discontinued, the dividend credit is divided into two accounts. The division is in the same proportion as the face amount of the permanent plan and the face amount of the term insurance continued in force relates to the combined total of the face amounts of the two policies. The credit on the permanent plan may be changed to deposit upon the request of the insured.

    4. When part of a term policy is converted and any part of the remainder discontinued, the dividend credit for the discontinued term insurance may not be retransferred, if that insurance is later reinstated.

g. When final lapse action is taken on a term policy, the option in the master record will not be changed. When there is an existing dividend credit which could not be used to prevent lapse, it will be disposed of as indicated below:

    1. If there are additional policies in force other than as extended term or paid-up insurance, transfer the credit to an active account.

    2. If there are no additional policies or if the additional policies are in force as extended term insurance, the credit will be refunded provided it is $1 or more. If it is less than $1, it will be transferred to the appropriate variance account.

h. When final lapse action is taken on a permanent plan of insurance, the option in the master record will not be changed. On single-policy cases, the dividend will be paid in cash if the how paid code is 1 (not in force) or 4 (extended term insurance). On multiple-policy cases, the dividend will be authorized as a pending disbursement if the how paid code is 1 and credits if the how paid code is 4. When a pending disbursement is created, clerical action is required to determine if the dividend is to be paid in cash or

transferred to an active account. When there is an existing dividend credit on multiple-policy cases which could not be used to prevent lapse, it will be disposed of as indicated below:

1. Retained on the account on which it was earned if that account is on extended term insurance.

2. Transferred to an active account if the lapsed policy is not in force as extended term insurance.

3. If the how paid code is 2, reduced paid-up, the dividend is paid in cash.

## 5.10 PREMIUM OPTION

a. This option provides for application of dividends for payment of premiums in advance on the policy on which the dividend is earned. Since dividends are payable on the day before the policy anniversary date and that date is within the period allowed for payment of the 10th month of the policy year, the dividend is subject to application as premiums provided the:

   1. Premium for the 10th month of the policy year has been paid;

   2. Dividend is sufficient to pay premiums for the 11th and 12th months.

b. The premium option is not valid under the conditions listed below:

   1. Premiums are being paid by allotment from service pay, VA matic or deductions from VA benefits.

   2. Premiums are waived because of total disability.

   3. If a limited payment life policy has been paid up.

   4. The policy is lapsed and an application for reinstatement is not pending.

   5. The policy is surrendered for reduced paid-up insurance.

c. If the insured selects the premium option and one of above conditions exists, the insured will be advised that the option is unacceptable and furnished the necessary form for change of option.

d. When the premium option on a policy becomes invalid for one of the reasons listed below, the option will be changed to the credit option and the insured advised of that action and the other options available.

   1. Premiums are being paid by allotment from service pay, VA Matic, or deductions from VA benefits.

   2. Premiums are waived because of total disability.

3. If a limited payment life policy has been paid up. (When an indebtedness exists on the policy and there are no other policies on a premium-paying basis, the option will be changed to the indebtedness option instead of the credit option provided no further premiums are due.)

e. When the premium option becomes invalid because of lapse, the following rules will apply:

   1. Term and Permanent Plan Without Extended Term Insurance. The dividend will be paid in cash on the policy anniversary date provided there are no other policies in force by payment or waiver of premium. On single- policy cases, payment is automatic. On multiple-policy cases where the how paid code is 1, the dividend is established as a pending disbursement transaction with a 970 callup. Clerical action is required to determine if the dividend should be paid in cash or transferred as a dividend credit to an account in force by payment or waiver of premium. When the how paid code is 4, the dividend is authorized under the credit option.

   2. Permanent Plans with Extended Term Insurance. On single-policy cases, the system will automatically pay the dividend in cash. On multiple-policy cases, the dividend will be authorized as dividend credit.

f. When the how paid code is 2 (reduced paid-up insurance), the dividend will be paid in cash.

## 5.11 DEPOSIT OPTION

a. This option may be selected on paid-up policies and other permanent plans in force other than as extended term insurance. If this option was selected before the date of lapse, the option will not be changed without a valid request. However, dividends becoming due on a lapsed policy (how paid code 1 or 4) will be paid in cash even though the master record shows the deposit option.

b. Disposition of Dividends on Deposit on Lapsed Policies. Dividends on deposit plus interest to the date of lapse are used with the policy reserve in calculating the period of extended term insurance and pure endowment, if any. When the total amount of money, less any indebtedness, is more than sufficient to meet the conditions described below, the amount not required will be retained and the insured advised that it is refundable upon request.

   1. Endowment Plans. The amount available is more than sufficient to purchase extended term insurance to the end of the endowment period and pure endowment in excess of the face amount of the policy, less indebtedness.

   2. Life Plans. The amount available is more than sufficient to purchase extended term insurance to the end of the mortality table on which premiums were established.

c. Request for Refund of Dividends on Deposit After Date of Lapse. Dividends on deposit may not be refunded after the date of lapse. If an insured requests refund after the expiration of the grace period but within 31 days thereafter, the requested amount will be refunded minus three monthly premiums. The insured will be advised that it was necessary to place the insurance in force before the refund, and he or she will be

allowed 15 days from the date of the letter to return the payment for cancellation of the informal reinstatement. The explanation will include a comparison between the coverage provided when dividends on deposit are used with the reserve and when they are not. If the payment is returned, the account will be restored to the status it would have been if premiums had not been deducted and the refund made. If the insured requests refund more than 31 days after expiration of the 31-day grace period, he or she will have to meet reinstatement requirements before the dividend deposit can be refunded.

d. Disposition of Dividends on Deposit at Time of Surrender for Reduced Paid-up Insurance. Dividends on deposit plus interest up to the date of surrender are used with the reserve in calculating the amount of paid-up insurance. In processing a surrender for reduced paid-up insurance, the insured will be advised that dividends on deposit will be applied to purchase insurance unless he or she requests refund within 15 days. The letter will give the amount of reduced paid-up insurance that the reserve plus dividends on deposit will purchase, the amount of reduced paid-up insurance that the reserve only will purchase, and the balance, if any, which will be payable to him or her. If a reply is not received in 15 days from the date of the letter, dividends on deposit will be applied to purchase reduced paid-up insurance. When the amount is more than sufficient to purchase insurance equal to the face amount of the policy, less indebtedness, the remaining amount will be held under the deposit option on the paid-up policy.

e. Re-establishment of Dividends on Deposit in Reinstatement. Upon reinstatement of a permanent plan policy, the amount of dividend deposit used to purchase extended term insurance is reestablished under the dividend deposit account. Upon request of the policyholder, the amount may be used to pay all or part of the cost of reinstatement. Any amount used to reinstate may not later be reestablished as dividend credit or deposit.

f. Disposition of Dividends on Deposit Upon Division or Consolidation of Policies. When a permanent plan is divided, dividends on deposit will be similarly divided. When two or more permanent plans are consolidated, dividends on deposit will also be consolidated.

## 5.12 CASH OPTION

a. Under the cash option, payment of the dividend is by direct deposit (or check if direct deposit is not available) payable to the insured if competent. If the insured is incompetent, the dividend is payable to a court-appointed guardian or a federally appointed fiduciary. See M29-1, Part I, Chapter 6.03 for handling of dividend refunds in the case of incompetent insureds.

**NOTE:** A VA Form 29-504, Notice of Payment Due Incompetent Veteran, will be sent to the Veterans Services Manager if the dividend is refunded to other than a court-appointed guardian or a Director, VA Medical Center. A court-appointed guardian is identified as a guardian, conservator, curator or tutor, committee, or trustee.

b. Except in certain termination or settlement cases, the cash option must be selected on or before the date the dividend is payable. However, when the credit option is in effect on the anniversary date and a request for cash is received postmarked after the anniversary date but before the dividend is processed, the new selection will be honored. Any amount required for premiums under the previous existing credit option will be applied.

***References:***

- M29-1, Part I, Chapter 6, Section 6.03: Refunds on Incompetency Cases

## 5.13 INDEBTEDNESS OPTION

a. This option provides for application of dividends as of the policy anniversary date to reduce an outstanding loan or lien. When there is both loan and lien indebtedness on a policy, payment of the loan will take precedence over payment of a lien on the same policy. When there is no loan or lien on the policy, the dividends will be applied to a loan or a lien on any other policy which the insured may have. If there is more than one other loan or lien account, the dividends will be applied (in the following precedence: (1) The largest variable loan, (2) the largest 5 percent loan; (3) the largest 4 percent loan; and (4) the largest lien account outstanding at the time the dividend is payable.

b. When the indebtedness is liquidated, the option will be changed automatically to the credit option. On a single- or two-policy case, the system will automatically change the option when authorizing the next dividend. If the dividend is more than sufficient to pay all indebtedness, the amount remaining will be added to a dividend credit balance or established as a dividend credit account on the policy from which the dividend was authorized.

## 5.14 PAID-UP ADDITIONS OPTION

a. This option became available on July 1, 1972 to policyholders with V insurance, on January 1, 1975 to policyholders with RS and W insurance, and on January 1, 1980 to policyholders with J, JR, and JS insurance. Under this option the dividend is applied as a single premium at the attained age of the insured to purchase paid-up insurance. On life contracts, including 5-LPT insurance, the dividend is applied to purchase paid-up life insurance. On endowment contracts, the dividend is applied to purchase paid-up endowment insurance that will mature at the same time as the basic contract. Paid-up additions are always provided in dollars, not dollars and cents. When a paid-up addition is calculated, the amount is rounded to the closer dollar. The paid-up insurance has cash and loan values. Dividends will be paid on it, but at a lower rate than the basic policy. The $10,000 maximum of insurance does not apply to accounts involving the paid-up additions. The beneficiary designation on the basic contract will apply to the paid-up additions. Accumulated dividend credits and deposits could have been used to purchase paid-up additions if application in writing by the insured was submitted on or before December 31, 1972. After that date accumulated dividend credits and deposits may not be used to purchase the paid-up additions except for the one-year open season from September 1991 to August 1992.

b. The insured may not select this option if the insurance is lapsed (including on extended insurance) on the date of selection.

c. Dividends due on lapsed or extended insurance accounts may be used to purchase paid-up additions, if the paid-up additions option is of record on the date of lapse. If the option is changed from the paid-up additions option while the account is lapsed or on extended insurance, the option may not be changed back to the paid-up additions option until the account is reinstated.

d. The final dividend due on maturing endowment accounts may not be used to purchase paid-up additions, even though there are existing paid-up additions and that is the dividend option of record, unless the dividend is paid on an accelerated basis.

e. Settlement dividends will not be used to buy paid-up additions, but will be paid in cash, even though there are existing paid-up additions. No settlement dividend was payable on the paid-up additions prior to the policy anniversary date in 1972.

f. The reserve of the paid-up additions will be combined with the reserve of the basic policy when computing the loan value of the policy. There is no waiting period before a loan may be made on the paid-up additions.

    1. When the basic policy is 5-LPT, a loan may be granted on the paid-up additions only. Any unpaid term insurance premiums will not be deducted from the loan. However, a loan may be granted to pay premiums or to satisfy a request made by the insured.

    2. The reserve of the paid-up additions will be used to prevent the basic policy from being terminated because the loan indebtedness equals or exceeds the policy reserve.

g. There is no waiting period before the paid-up additions are eligible for cash surrender.

    1. When a basic policy is surrendered for cash, paid-up life additions may be retained if the insured so desires. When a basic endowment policy is surrendered for cash, the paid-up endowment additions must be surrendered also.

    2. When a policy is surrendered for cash or reduced paid-up insurance and there are both paid-up additions on the policy and an outstanding loan, the loan will be proportioned between the reserve on the paid-up additions and the reserve on the basic policy to determine the amount of loan balance on the paid-up additions after the surrender.

    3. When paid-up additions only are surrendered for cash, the proceeds are payable in a lump sum.

h. The reserve of the paid-up additions will not be used to prevent lapse of the parent policy.

    1. Paid-up additions will be retained in the master record when the basic policy is lapsed or at expiration of extended insurance. The basic policy will be set up for purge but will remain on tape until the paid-up additions are deleted from the master record.

    2. When a policy lapses and is going to be placed on extended insurance and there are both paid-up additions on the policy and an outstanding loan, the loan will be proportioned between the reserve on the paid-up additions and the reserve on the lapsed basic policy to determine the amount of loan that will be collected from the lapsed basic policy and the amount of loan that will remain on the paid-up additions.

i. When two or more 5-LPT policies with paid-up additions are consolidated and converted, the paid-up additions will also be consolidated and retained as part of the new permanent plan.

1. When a policy with paid-up additions is split into two or more policies, the paid-up additions will be split proportionately. If the amount of paid-up additions to be split is an odd amount, the parent policy will be assigned the extra dollar.

2. When a term policy with paid-up additions is converted to an endowment policy, dividends earned after the conversion will be applied to purchase paid-up endowment additions. This will result in two paid-up additions segments:

   (a) The paid-up life additions purchased before the conversion.

   (b) The paid-up endowment additions purchased after the conversion.

j. When a permanent plan life policy with paid-up additions is changed to another life contract, no adjustment of the paid-up additions is required.

   1. When a permanent plan life policy with paid-up additions is changed to an endowment contract, the paid-up life additions may be retained, without any adjustment, or the cash value of the paid-up life additions applied to purchase paid-up endowment additions based on the basic endowment policy and the attained age of the insured, or to purchase the same amount of paid-up endowment additions as there were paid-up life additions with the insured paying the difference in reserve.

   2. When an endowment policy with paid-up endowment additions is changed to a life contract, the paid-up endowment additions may be exchanged for the same face value of paid-up life additions, with the difference in cash value paid in cash to the insured, or, at the request of the insured, used to pay premiums or applied to an outstanding loan. The paid-up endowment additions may not remain as endowment additions. Also, the face value of paid-up life additions may not exceed the face value of paid-up endowment additions.

k. When the basic policy is reduced, it is not necessary to reduce the paid-up additions, except at the request of the insured.

l. When an insured reinstates a lapsed policy and the dividend option on the date of lapse was paid-up additions, any earned dividends payable at reinstatement may be applied to purchase paid-up additions. If the option was other than paid-up additions, dividends payable at reinstatement may not be used to purchase paid-up additions.

   1. If a lapsed account on extended insurance is reinstated and the dividend option on the date of lapse was paid-up additions, the difference between the dividends paid on the extended insurance and the dividends payable at reinstatement may be applied to purchase the paid-up additions. If the option is changed from the paid-up additions while the extended insurance is in force or the option was not paid-up additions on the date of lapse, dividends payable at reinstatement may not be used to buy the paid-up additions.

m. Paid-up endowment additions mature concurrently with the basic policy and will be paid under the same settlement option. When an endowment policy with paid-up endowment additions and paid-up life additions matures, and there is an outstanding loan, the loan will be paid from the proceeds of the maturing endowments.

n. On death cases, the dividend for the year in which death occurs will not be applied to purchase paid-up additions unless the date of death is on or after the PDN (processing day number) on which the computer system created the paid-up additions. If the date of death is an earlier day number and paid-up additions have been credited for that year, the action will be reversed and the dividend which had been applied to purchase paid-up additions will be included in the settlement as a dividend.

o. When the basic policy is not in force (how paid 1) and a dividend is authorized on paid-up additions, if the amount of the dividend will buy $0.49 or less of paid-up additions, the amount of the dividend will be entered or added to any existing credit in the premium credit or shortage field of the master record.

p. When the basic policy is in force (other than how paid 1) and a supplementary dividend is authorized, if the amount of the supplementary dividend will buy $0.49 or less of paid-up additions, the amount of the supplementary dividend will be entered or added to any existing credit in the premium credit or shortage field of the master record.

q. When an authorized dividend is entered in the premium credit or shortage field of the master record as provided in subparagraphs o and p above, a dividend notice will not be released to the insured.

r. When the amount of an authorized dividend will buy more than $0.49 of paid-up additions but less than $ 1, the amount of the dividend will be used to buy paid-up additions in the amount of $1.

## 5.15 NET CASH OPTION

a. The net cash dividend option automatically applies the dividend towards payment of the annual premium.

b. To prevent lapse of a policy, dividends may be authorized in the 11th month of the policy year if the premium for the 10th month has been paid and the dividend is sufficient to pay premiums for both the 11th and 12th months, at a non-discounted rate. Money in excess of that needed to bring the policy current will be applied to the premium at a discounted rate, if applicable.

c. If the dividend is more than the amount needed to pay the premiums to the next anniversary date, the excess or remaining dividend will be paid to the insured via direct deposit or Treasury check.

d. When premiums are paid to the end of the premium paying period, the option will be changed to cash.

e. If the annual dividend amount is insufficient to pay premiums to the next anniversary date, the insured will be billed from the next month due to the anniversary date. The billing will be accomplished approximately 45 days prior to the next premium due date.

## 5.16 NET PUA OPTION

a. This option automatically applies the dividend towards payment of an annual premium. Any excess dividend will be used to purchase PUAs.

b. 10th Month Rule: To prevent lapse of a policy, dividends may be authorized in the 11th month of the policy year if the premium for the 10th month has been paid and the dividend is sufficient to pay premiums for both the 11th and 12th months, at a non-discounted rate. Money in excess of that needed to bring the policy current is applied to the premium at a discounted rate, if applicable.

    1. If the premiums are paid to the end of the premium paying period, the option will be changed to PUA.

    2. If the annual dividend amount is insufficient to pay premiums to the next anniversary date, the insured will be billed from the next month due to the anniversary date. The billing will be accomplished approximately 45 days prior to the next premium due date.

## 5.17 NET LOAN LIEN OPTION

a. This option automatically applies the dividend towards payment of an annual premium. Any excess dividend will be used to reduce any outstanding indebtedness.

b. 10th Month Rule: To prevent lapse of a policy, dividends may be authorized in the 11th month of the policy year if the premium for the 10th month has been paid and the dividend is sufficient to pay premiums for both the 11th and 12th months, at a non-discounted rate. Money in excess of that needed to bring the policy current is applied to the premium at a discounted rate, if applicable.

c. If the premiums are paid to the end of the premium paying period, the option will be changed to LOAN/LIEN.

d. If the annual dividend amount is insufficient to pay premiums to the next anniversary date, the insured will be billed from the next month due to the anniversary date. The billing will be accomplished approximately 45 days prior to the next premium due date.

## 5.18 INTEREST RATES

Interest rates earned on dividend credit and deposit accounts are published on an annual basis by the Actuarial Staff, VA Insurance Center, Philadelphia PA. Current and historical interest rates are available in the Insurance system. Historical interest rates can be found under Comp Tools – Dividend Credit/Dividend Interest Rates in VA Insurance systems.

## 5.19 CALCULATION OF INTEREST

a. On and after January 1, 1964, interest is earned on dividends held under the credit or deposit option for less than a full policy year. Prior to that date, interest was computed only on the dividend balance as of the day preceding the policy anniversary.

b. Interest is compounded annually on the day preceding the policy anniversary date by obtaining the annual interest on the dividend balance and adding to it any interest which has accumulated since the last policy anniversary date due to withdrawals before the end of the current policy year.

c. To compute interest on amount withdrawn prior to the end of the current policy year, daily interest factors are used. That interest is referred to as accumulated interest and is held as such until the end of the policy year, at which time it becomes a part of the total annual interest. The following are exceptions:

    1. Under the dividend credit option, part or all accumulated interest will be used if needed to prevent lapse.

    2. When the full amount of dividends held as credit or on deposit is withdrawn at the request of the insured for payment in cash or application to premiums or to an indebtedness, accumulated interest is included in the payment.

    3. When the insured requests a refund of all or part of the dividends held as credit or on deposit, interest will be calculated on the amount refunded from the prior policy anniversary date to the day the refund is processed. When withdrawals are made at the request of the insured for payment of premiums or loan or lien indebtedness, interest will be calculated to the postmark date of the request.

### 5.20 DELAY IN REFUND OF DIVIDEND CREDIT/DEPOSIT AMOUNTS

If a second request for refund of a dividend credit/deposit is received and action was not taken on the original request, the transaction date for refund purposes will be the day the refund is processed.

## Subchapter 2. Dividends for Prior Years

### 5.21 GENERAL

The rules and requirements for processing regular dividends for the current and future years are in subchapter 1. This subchapter contains information on dividends for prior years.

***References:***

- M29-1, Part I, Chapter 5, Section 5.01: General

### 5.22 USGLI DIVIDENDS

a. Payment of regular or annual dividends commenced in 1920.

    1. Five-Year Level Premium Term: Dividends were not paid on any of these policies from 1920 to 1926 and from 1933 through 1956.

    2. Five-Year Convertible Term: Dividends were paid on these policies in 1932 and 1933, but no dividend was paid after that date until 1940.

3. Extended Term Insurance: Annual dividends were paid on extended term insurance from 1920 through 1929, but not after that date. (Extended term insurance did participate in the l961 special dividend.)

4. Special Endowment at Age 96 Plan: The first dividend paid on the special endowment at age 96 plan was in 1969, but dividends were not paid on reduced paid-up policies.

b. Prior to December 31, 1958 dividends were paid in cash or held on deposit unless the insured requested that they be applied to pay premiums or an indebtedness.

c. Special dividends were paid in 1949, 1953, 1958 and 1961. Termination dividends were paid on certain policies from 1953 through 1961.

## 5.23 NSLI DIVIDENDS

a. Payment of regular or annual dividends on NSLI commenced in 1952; however, two special dividends were paid prior to that date. To be eligible for the 1954 and prior year annual dividends, premiums had to be paid (or waived because of total disability) and earned for at least 3 months. (Exception: A dividend was payable when premiums were paid for 1 or 2 months during the dividend year prior to establishment or following discontinuance of an in-service waiver.) For 1955 and later years, premiums had to be paid or waived because of total disability and earned for at least 1 month. In addition, premium for December 1954 or any subsequent month in the 1955 dividend year had to be paid and earned for entitlement to the 1955 regular dividend. Dividends on the participating modified life plans of insurance were paid for the first time in 1969.

b. Public Law 36, 82d Congress, approved May 18, 1951, provided that regular dividends becoming due and payable after January 1, 1952, would be held under the credit option unless the insured requested one of the other options. (38 U.S.C. 1907)

c. The 1948 special dividend was the first dividend paid on NSLI and the only dividend for which an application was required. The rules covering the payment of this dividend and other special dividends are in subchapter 4.

d. Public Law 92-188 provided the authority to pay dividends on NSLI paid-up additions only, where no basic policy remains in force. The law passed on December 15, 1971 and administratively became effective the following year for NSLI policies.

e. Reduced paid-up policies participated in annual and special dividends. Dividends on extended term insurance for V policies commenced in 1961. Dividends on extended term insurance for W policies (the pure endowment portion only) commenced in 1975.

f. Annual dividends were paid on disability provisions attached to NSLI policies from 1956 through 1958. Special dividends were paid on the $5 TDIP (ND) provisions in 1959 and 1964. The rules covering payment of these dividends are in subchapter 3.

***References:***

- 38 U.S.C. 1907: Payment or Use of Dividends

## 5.24 VSLI DIVIDENDS

a. Public Law 93-289, effective May 24, 1974, provided for policies prefixed by RS and W to become participating policies. These policies shared in the regular dividends for the first time, commencing January 1, 1975.

b. The dividends were authorized and paid under the same options and rules now in effect on other NSLI participating policies. The exceptions were as follows:

    1. The gross minimum dividend payable for 12 months was $1.20. There was no minimum for periods covering less than 12 months.

    2. Dividends authorized for 12 months in the amount of $1.20 were not adjusted as a result of lapse, reinstatement, contract change, surrender or death.

    3. No dividend was payable on any terminal action, such as death, maturity or surrender processed and finalized for settlement prior to January 1, 1975.

    4. No dividend was payable on contract changes, such as conversions, change of plan or reduction processed prior to January 1,1975, with an effective date in 1974.

    5. No dividend was payable on cases in which final lapse action was taken prior to January 1, 1975.

    6. No dividends were payable on extended term insurance cases prior to 1999 except when there was pure endowment. On such cases, the dividend was payable only on the pure endowment amount.

c. Action dates for whole life paid-up additions were based on maturity at age 96.

## 5.25 VRI DIVIDENDS

a. The VRI program began paying dividends in 1980 under the same options and rules now in effect on other NSLI participating policies.

    1. In order to further liquidate excess surplus, termination dividends were first authorized for "JR" and "JS" in 1985. "JS" termination dividends were last paid in 1998. JR" termination dividends were last paid in 1996.

    2. In 1999, a special dividend of $120,000 was distributed among 55 "JS" policyholders.

    3. In 2014, there was a distribution of excess surplus to JS policyholders and beneficiaries on behalf of insureds having active policies as of January 1999.

## 5.26 DATE OF PAYMENT OF REGULAR DIVIDENDS

a. Regular or annual dividends were due and payable on the day before the policy anniversary date unless the Administrator declared them payable on some other date.

b. Dividends for the following years were paid on an accelerated basis:

1961 1963 1964 1965 1967 1972 1975 1976 1977

## 5.27 ACCELERATED PAYMENT OF REGULAR DIVIDENDS

a. The 1961 dividend was deemed payable on the day preceding the March premium due date. The 1963, 1964 and 1965 dividends were deemed payable on the day preceding the January premium due date. The 1967, 1972, 1975 and 1976 dividends were deemed payable the day preceding the February premium due date. The 1977 dividend was deemed payable on the day preceding the April premium due date.

**NOTE:** Dividends on accounts with the paid-up addition option were paid on the customary policy anniversary date.

b. When the dividend option was credit or deposit, a full year's interest was added to any dividend credit or deposit balance existing on the day the dividend was deemed payable. The current dividend was credited after the addition. Commencing with the 1964 dividend, interest was also allowed on the current dividend from the premium due date in the month the dividend was deemed payable to the anniversary date of the policy. The formula for calculating interest and the interest factors for the different anniversary months for these dividends is in paragraph 5.29. There was no interest reversal as a result of withdrawals occurring between the date interest was added and the policy anniversary date.

c. When the dividend option was other than credit or deposit and there was a dividend credit or deposit balance, a full year's interest was added on the 1961, 1963 or 1964 policy anniversary date (plus 30 days). On the 1965, 1967, 1972, 1975, 1976 and 1977 dividends, a full year's interest was added on the following basis:

   1. If there was no automatic withdrawal action to the dividend credit or deposit balance prior to the anniversary date (plus 30 days), annual interest was added as of the anniversary date,

   2. When there was a withdrawal prior to the anniversary date, annual interest was added prior to processing the withdrawal.

d. When there was a dividend overpayment, usual rules for recovery of indebtedness were followed except that dividend overpayments resulting from accelerated dividends were not deducted from the reserve available to purchase extended term insurance or reduced paid-up insurance.

***References:***

- M29-1, Part I, Chapter 5, Section 5.29: Calculating Interest When Paying Dividends Early

## 5.28 ELIGIBILITY FOR DIVIDENDS FOR PRIOR YEARS

a. A lapsed policy was eligible for a regular or a supplemental regular dividend by payment of premiums in arrears in the reinstatement of a policy. However, the payment of premiums in arrears did not make a policy eligible for participation in a prior special dividend with the exceptions noted below:

   1. 1948 and 1951 Special Dividend: In the reinstatement of a participating NSLI policy, a dividend or supplemental dividend was due if the number of paid months in the 1948 and/or 1951 dividend period was increased by payment of premiums in arrears.

   2. 1953 Special Dividend: A USGLI policy surrendered under section 5 of the Servicemen's Indemnity and Insurance Acts of 1951 prior to 1953 and reinstated or replaced under 38 U.S.C. 1981 was due a 1953 special dividend. The dividend payable on such a case was calculated by adjusting the 1953 special dividend for the period the policy was in force prior to 1953 and by adding the amount of interest earned on the fund between certain dates. The amount payable in each case was determined by the Actuarial Staff.

b. The payment of the reserve in antedating a policy did not make it eligible for a dividend for the period covered by the payment of the reserve.

***References:***

- 38 U.S.C. 1981: Replacement of Surrender and Expired Insurance

## 5.29 CALCULATING INTEREST WHEN PAYING DIVIDENDS EARLY

a. The formula for calculation of interest on the 1964, 1965, and 1967 accelerated dividends under the dividend credit/deposit options from the January premium due date to the policy anniversary date was the amount of the accelerated dividend times interest factor equals interest.

b. The interest rates and interest factors used in calculating interest on dividends authorized under the dividend credit or deposit in advance of the policy anniversary date in 1964, 1965, and 1967 are shown in exhibit A (USGLI) and exhibit B (NSLI).

c. The formula for calculation of interest on the 1972 accelerated dividends under the dividend credit/deposit options from the February 1972 premium due date to the 1972 policy anniversary date was the amount of the accelerated dividend times interest factor equals interest on 1972 dividend.

d. The interest rates and interest factors used in calculating interest on dividends authorized under the dividend credit or deposit options in advance of the policy anniversary date in 1972 are shown in exhibit C (USGLI) and exhibit D (NSLI).

## EXHIBIT A. INTEREST FACTOR CHART - USGLI

| Policy Anniversary Month | Number of Days | Interest Factor (3.5%) |
|---|---|---|

| | | |
|---|---|---|
| January | None | None |
| February | 31 | .0030 |
| March | 59 | .0057 |
| April | 90 | .0086 |
| May | 120 | .0115 |
| June | 151 | .0145 |
| July | 181 | .0174 |
| August | 212 | .0203 |
| September | 243 | .0233 |
| October | 273 | .0262 |
| November | 304 | .0292 |
| December | 334 | .0320 |

## EXHIBIT B. INTEREST FACTOR CHART - NSLI

| Policy Anniversary Month | Number of Days | 1964 Interest Factor (3%) | 1965 and 1967 Interest Factor (3.25%) |
|---|---|---|---|
| January | None | None | None |
| February | 31 | .0025 | .0028 |
| March | 59 | .0048 | .0053 |
| April | 90 | .0074 | .0080 |
| May | 120 | .0099 | .0107 |
| June | 151 | .0124 | .0134 |
| July | 181 | .0149 | .0161 |
| August | 212 | .0174 | .0189 |
| September | 243 | .0200 | .0216 |
| October | 273 | .0224 | .0243 |
| November | 304 | .0250 | .0271 |

| | | | |
|---|---|---|---|
| December | 334 | .0275 | .0297 |

**EXHIBIT C. INTEREST FACTOR CHART-USGLI**

| Policy Anniversary Month | Number of Days | Interest Factor (4.25%) |
|---|---|---|
| January | None | None |
| February | None | None |
| March | 28 | .00326 |
| April | 59 | .00687 |
| May | 89 | .01036 |
| June | 120 | .01397 |
| July | 150 | .01747 |
| August | 181 | .02108 |
| September | 212 | .02468 |
| October | 242 | .02818 |
| November | 273 | .03179 |
| December | 303 | .03528 |

**EXHIBIT D. INTEREST FACTOR CHART-NSLI**

| Policy Anniversary Month | Number of Days | Interest Factor (4.5%) |
|---|---|---|
| January | None | None |
| February | None | None |
| March | 28 | .00345 |
| April | 59 | .00727 |
| May | 89 | .01097 |
| June | 120 | .01479 |
| July | 150 | .01849 |
| August | 181 | .02232 |

| | | |
|---|---|---|
| September | 212 | .02614 |
| October | 242 | .02984 |
| November | 273 | .03366 |
| December | 303 | .03736 |

## Subchapter 3. Regular and Special Dividends On Total Disability Income Provision (NSLI)

### 5.30 REGULAR DIVIDENDS

a. Effective with the 1956 regular dividend, NSLI policies with the TDIP were classified separately from those without the provision for dividend purposes. The gross dividend on the separately classified policies consisted of the dividend payable on the life insurance contract and an additional dividend on the disability provision. Regular dividends were not payable on the disability provision after the 1958 policy year.

b. Dividends on the disability provision were payable annually on the date preceding the anniversary date of the life insurance, regardless of the anniversary date of the disability provision. In addition to meeting eligibility requirements for the dividend on the life insurance contract, except as noted in subparagraph d below, the TDIP premium for at least l month, payable to the NSLI fund, had to be paid and earned for the policy to be eligible for the TDIP dividend. The amount of dividend was based on the number of months' life insurance and disability premiums, respectively, were paid during the policy year. The TDIP portion of the dividend for 1956 was based on the number of months TDIP premiums were paid between the anniversary or issue date in 1955 and the anniversary date in 1956 of the life insurance contract. No premiums paid before the 1955 anniversary date of the life insurance contract were counted for the TDIP dividend.

c. When premiums were waived under 38 U.S.C. 1912 and the insured received total disability income payments, dividends were payable on the life insurance contract, but not on the disability provision after payments started. (See example in subpart. g(3) below.)

d. Dividends were payable for the number of months TDIP premiums were paid during the period a section 1924 waiver was in force on the life insurance through the 1958 policy year. When TDIP premiums on a non-participating life insurance contract were payable to the NSLI fund, dividends were payable on the disability provision. No dividends were payable when TDIP premiums were payable to the NSLI appropriation.

e. TDIP dividends were disposed of under the same option as that of the life insurance contract.

f. Life insurance and TDIP portions of dividends were charged to the applicable calendar year dividend expense account. Life insurance and TDIP portions of dividends were not separated in maintaining dividend credit and dividend deposit accounts.

g. Several examples illustrating the rules of eligibility for TDIP dividends are shown below:

1. Life insurance and TDIP effective June 1, 1947, both active through May 31, 1958. Dividend for 1958 payable for 12 months on life insurance and TDIP.

2. Life insurance effective June 1, 1956, TDIP added December 1, 1957, both active through May 31, 1958. Dividend for 1958 payable for 12 months on life insurance and 6 months on TDIP.

3. Life insurance and TDIP effective June 1, 1947, and premiums paid through March 31, 1958. Insured totally disabled beginning September 3, 1957, and still totally disabled May 31, 1958 [38 U.S.C. 1912 waiver effective October 1, 1957. TDIP payments began March 3, 1958. Dividend for 1958 payable for 12 months on life insurance (4 paid and 8 waived), and 10 months on TDIP (4 paid and 6 waived).

4. Life insurance and TDIP effective August 1, 1950. In-service waiver effective August 1, 1951, and still effective July 31, 1958; TDIP in force through July 31, 1958. Dividend for 1958 payable for 12 months on TDIP only.

5. Life insurance effective June 1, 1947, under NSLI fund lapsed January 1, 1948, and reinstated August 1, 1949, as "H" insurance under NSLI appropriation. TDIP added September 1, 1953, as "ND " under NSLI fund. Life insurance and TDIP active through May 31,1958. Dividend for 1958 payable for 12 months on TDIP only.

***References:***

- 38 U.S.C. 1912: Total Disability Waiver
- 38 U.S.C. 1924: In Service Waiver of Premiums

## 5.31 SPECIAL DIVIDENDS (TDIP)

a. In July 1959 a special TDIP dividend was paid on NSLI accounts with a $5 ND rider. The dividend was payable as of the July premium due date under the option of record. For those options other than cash, the dividend was available for application to premiums or for adding to credit/deposit accounts as of the July premium due date. The special dividend was paid if:

   1. The December 1958 insurance and/or TDIP premium was paid and earned at any time prior to June 1, 1959, or

   2. The December 1958 insurance and/or TDIP premium was waived because of disability, or

   3. The December 1958 premium on the basic policy was paid and earned prior to June 1, 1959 or waived because of disability, and TDIP coverage had ceased sometime prior because the insured had reached age 60.

**NOTE:** A $5 rider surrendered for the $10 benefit prior to January 1, 1958 was eligible for the special TDIP dividend. Also, if December 1957 became a skip month (term contract) by virtue of a reinstatement of both the insurance and the rider prior to June 1, 1959 the account was eligible for the dividend.

b. NSLI policies to which a participating $5 rider is or was attached were eligible for the 1964 special TDIP dividend if the policy was eligible for the 1959 special TDIP dividend and in force during any one of the premium months of July 1963 through January 1964. For this purpose, a policy was considered in force if the premium for one of the above months was timely paid or waived or was in force under extended insurance or paid-up insurance during one of the above months. The dividend was 125 percent of the 1959 special TDIP dividend with a $340 maximum payment. It was payable on the day before the January 1964 due date of the eligible policy and was available for the purposes of dividend options as of that date. Interest was added to the dividend amount placed in the credit or deposit account from the January 1964 premium due date of eligible policy to the 1964 anniversary date of that policy. Interest was not to be adjusted on withdrawals which occurred between the date of interest addition and the 1964 anniversary date of the policy.

# Subchapter 4. Special Dividends on NSLI

## 5.32 SPECIAL DIVIDENDS - GENERAL

a. A special dividend was a one-time distribution of an excess in the insurance fund. It was derived from excess interest earned or from funds in excess of regular reserves previously set aside to provide an additional safety margin against unexpected contingencies. However, the first two special dividends on NSLI were mainly derived from savings in mortality in the years prior to payment of regular or annual dividends.

b. Four special dividends were paid on policies on which premiums credited to the NSLI Fund were paid and earned, or waived under section 602(n) of the NSLI Act of 1940, as amended. They are referred to as the 1948, 1951, 1961 and 1963 special dividends.

c. A special dividend was also paid on certain RS/W policies in 1961.

d. No claim by an insured for payment in cash of a special dividend declared prior to January 1, 1952, will be processed unless such claim was received within 6 years after such dividend was declared. If a claim is received it will be returned with a Dividend Inquiry letter or Dividend Hoax letter (38 U.S.C. 1907 (b)). This will be considered a complete response without further communication.

***References:***

- 38 U.S.C. 1907: Payment or Use of Dividends

## 5.33 1948 SPECIAL DIVIDEND (N AND V POLICIES ONLY)

a. This dividend was based on premiums paid from the effective date of the policy to the policy anniversary date in 1948. Payment was made under the cash option and commenced approximately January 16, 1950. An application for payment of the 1948 Special Dividend was required since about two thirds of the policies were lapsed and no current address was available. The announcement that the dividend would be paid was made in June 1949, and applications for applying were available at all post offices and VA offices in August 1949. These forms were associated with records of the dividend to

be paid to each individual. The first checks were mailed on January 16, 1950, and by the end of 1950, over $2.7 billion, or 98 percent of the amount due, had been paid to about 16 million veterans.

b. The dividend rate for policyholders age 40 and under at age of issue was 55 cents per $ 1,000 of insurance for each month the insurance was in force. The rate decreased at the older ages. Any indebtedness due VA was deducted from the amount payable, and the amount deducted was shown on the form accompanying the check. In those cases where the indebtedness exceeded the dividend, a letter was sent.

c. To be eligible, premiums had to be paid and earned or waived under section 602(n) for a minimum of 3 months between the date of issue to the policy anniversary in 1948. Accounts created by conversion, renewal, change of permanent plan, or division, and the accounts from which they were created, were considered together in computing the number of months for which dividends were payable within the dividend payment period. On the basis that the converted, renewed, or changed contract, or the contract resulting from division was in continuation of the original contract, both were eligible even though only one or two months' premiums were paid on either the original or subsequent contract, provided a combined total of three or more months' premiums were paid within the dividend period. Where unrelated policies of an insured were involved, the number of months paid was not combined to arrive at an aggregate of 3 or more months to determine the dividend eligibility of either contract.

d. The dividend was paid on paid-up insurance, but not on extended term, gratuitous, or on insurance for which premiums were credited to the NSLI appropriation. Contract insurance under the NSLI fund, stemming from gratuitous insurance, was eligible for dividends.

e. The calculation of the dividend was based on the following factors:

    1. The number of months’ premiums were paid or waived because of disability.

    2. The age of the policyholder on the date of issue of the policy.

    3. The face amount of the policy.

    4. Dividend rate.

## 5.34 1951 SPECIAL DIVIDEND (N AND V POLICIES ONLY)

a. This dividend was based on premiums paid from the policy anniversary date in 1948 (or effective date if the policy was issued between 1948 and 1950, both dates inclusive) to the policy anniversary date in 1951. Payment was made under the cash option. An application for payment was not required. A review of inactive accounts commenced soon after December 14, 1950, to select eligible policies and to obtain current mailing addresses. The preparation of authorization cards on active accounts commenced in February 1951 by policy anniversary month, and mailing of checks commenced approximately March 5, 1951. A sum of approximately $685 million was authorized for payment.

b. To be eligible, premiums had to be paid and earned or waived because of a disability for a minimum of 3 months during the dividend period. An in-service waiver was considered in reaching the minimum of 3 months; however, a dividend was not payable for the month or months the in-service waiver was in force. Accounts created by conversion, renewal, change of permanent plan, or division, and the accounts from which they were created, were considered together in computing the number of months from which dividends were payable within the dividend payment period.

c. The calculation of the dividend was based on the following factors:

   1. The number of months premiums were paid or waived because of disability.

   2. The age of the policyholder on the date of issue of the policy.

   3. The face amount of the policy.

   4. Dividend rate.

## 5.35 1961 SPECIAL DIVIDEND (V POLICIES ONLY)

a. Participating policies were eligible for a special dividend if the January, February, March or April 1961 premium was timely paid or waived due to total disability. Payment of premiums for one of the above months as a month of lapse did not make the policy eligible.

b. A reduced paid-up or extended term insurance policy effective on or before the due date of January 1961 was eligible provided the reduced paid-up or extended insurance was in force on the January 1961 premium due date of the parent policy.

c. The dividend was based on the largest amount of insurance in force during the eligibility period if the policy was reinstated, reduced, lapsed or surrendered for reduced paid-up insurance during the eligibility period.

d. The dividend was based on the last type of insurance in force during the eligibility period if a term policy was converted in the full amount or a permanent plan policy was changed during the eligibility period.

e. A limited payment life on which the premium-paying period had ended was eligible provided it was in force under premium-paying conditions during the premium month of January, February, March or April 1961.

f. The dividend was deemed payable on the day preceding the June 1961 premium due date and was payable under the option of record.

## 5.36 1961 SPECIAL DIVIDEND (RS AND W POLICIES)

a. Originally RS prefixed policies were non-participating, however, as of May 24, 1974, Public Law 93-289 provided for policies prefixed by RS and W to become participating policies as of January 1, 1975. RS insurance became eligible for a special dividend if the RS or W insurance was in force during one of the premium months of November or

December 1960 or January 1961 by timely payment of premiums, disability waiver, or as paid-up or extended term insurance, provided one of the following conditions were met:

1. The policy had been converted or exchanged for W insurance, or conversion or exchange for W insurance was applied for before September 14, 1963, or

2. If the RS insurance had not been converted or exchanged and the policy matured by death on or after the November 1960 premium due date and before September 14, 1963.

b. The dividend, payable in cash without interest, was deemed payable September 13, 1961, or when conditions were met. Dividends on policies which had been converted or exchanged for W insurance were based on the largest amount of insurance in force during the eligibility period.

c. The dividend on policies becoming eligible after September 13, 1961, and before September 14, 1963, was based on the amount of insurance converted or exchanged for W insurance or the amount in force at death but not greater than the largest amount of RS insurance in force during one of the premium months of November or December 1960, or January 1961. Payment of premiums for November or December 1960, or January 1961 as the month of lapse did not make the policy eligible for the special dividend if the policy was reinstated in the February 1961 premium month or later.

d. The number of months payable for dividend purposes was based on the number of months the insurance was in force, minus any months not paid due to lapse, or waiver of premiums under a section 1924 in-service waiver from the effective date of the RS insurance to:

1. The date of death, if death occurred within one of the premium months of November or December 1960, or January 1961 on insurance not converted or exchanged; or

2. The date of conversion or exchange to W insurance; or

3. The premium due date in February 1961, whichever is earlier.

e. When recovery of indebtedness was made for an RS/W dividend, the effective date of recovery was:

1. September 13, 1961 when the contract change or conversion from the parent RS policy was on or before that date.

2. As of the date of the contract change date for exchange or conversion from the parent RS policy provided the date was before September 14, 1963.

***References:***

- 38 U.S.C. 1924: In Service Waiver of Premiums

## 5.37 1963 SPECIAL DIVIDEND (V POLICIES ONLY)

a. Participating policies were eligible for a special dividend if the August, September, October or November 1962 premium was timely paid or waived due to total disability. Payment of premiums for one of the above months as a month of lapse did not make the policy eligible for a special dividend. Premiums were considered timely paid if paid within 61 days of the premium due date by application of dividend credit, or as the reinstatement month.

    1. A policy which was surrendered for reduced paid-up insurance or was in force under extended term insurance on or before August 1, 1962, became eligible for the special dividend if the reduced paid-up or extended term insurance was in force on the August 1962 premium due date of the parent policy.

    2. A fully paid-up policy became eligible for the special dividend if it was in force during any one of the premium months of August, September, October, or November 1962.

b. The dividend was based on the amount and plan of insurance last in force during the eligibility period. If a larger amount of insurance was in force during that period, the dividend was increased, based on the additional amount of insurance and plan in force at that time. (EXAMPLE: Policy lapsed and was placed on extended term insurance in reduced amount due to policy indebtedness. The special dividend was due on the reduced amount of extended term insurance at the extended term insurance dividend rate. The difference between the face amount of the permanent plan and the amount of extended term insurance at the dividend rate for the permanent plan was also due.)

c. The dividend was payable on the date preceding the January 1963 premium due date and was available for the purpose of dividend options as of that date.

d. A full year's interest for 1963 was added to any dividend credit or deposit balance existing on the day preceding the January 1963 premium due date, and the 1963 regular and special dividends were credited after the interest addition. There were no interest reversals as the result of withdrawals occurring between the January 1963 premium due date and the 1963 anniversary date of the policy.

e. The following codes were used in the insurance records in connection with payment of the 1963 dividend:

| Legend | Transaction Code | Explanation |
|---|---|---|
| SPP D | 1 | 1963 Special Dividend Paid |
| SP NOT PD | 2 | 1963 Special Dividend Not Paid |
| SP INELIG | 4 | Ineligible for 1963 Special Dividend |

# Subchapter 5. Special and Termination Dividends On USGLI

## 5.38 SPECIAL DIVIDENDS ON USGLI POLICIES

a. 1949 Special Dividend. A $40 million dividend paid on permanent plans only with effective dates of 1943 or prior. To be eligible, the December 1948 premium had to be timely paid and earned.

b. 1953 Special Dividend. A $70 million dividend paid on permanent plans with effective dates of 1947 or prior. To be eligible, the December l952 premium had to be timely paid and earned or waived under total disability. Limited payment life policies where all 20 or 30 years' premiums had been paid were eligible if the policy was in force on December 31,1952. Policies, otherwise eligible, that were on section 1924 waiver for any number of months prior to December 31, 1952, received a reduced dividend proportional to the number of months the policies were in force on a participating basis.

c. 1958 Special Dividend. A $32 million dividend paid on permanent plans and reduced paid-up policies. To be eligible, the December 1957 premium had to be postmarked prior to April 1, 1958, or waived under total disability; or the policy had to be a fully paid-up limited payment life policy. On cash surrenders and reductions, a policy was not eligible for the 1958 special dividend if a 1957 termination dividend had been paid to the policyholder.

d. 1961 Special Dividend. A $37 million dividend paid on both term and permanent plans. The rules for eligibility were the same as those for payment of the special dividend on NSLI with the following exceptions:

   1. The dividends on USGLI were paid in cash.

   2. A USGLI policy eligible for a termination dividend was not eligible for a 1961 special dividend.

## 5.39 TERMINATION DIVIDENDS (USGLI)

a. Termination dividends were a release of a surplus in the contingency reserve when a policy permanently severs its connection with the insurance fund. Eligibility for such dividend was limited to permanent plan policies terminating under the following conditions:

   1. Termination by death, maturity as an endowment, or surrender for cash or paid-up insurance between January 1, 1953, and December 31, 1961.

   2. Expiration of extended term insurance between January l, 1953, and December 31, 1960, under the following conditions:

      (a) Extended insurance without pure endowment lapsed prior to 1953 anniversary; terminated in 1958, 1959, or 1960.

      (b) Extended insurance without pure endowment lapsed in 1953 (on or after the anniversary date) or in the succeeding years, policy terminated in 1958, 1959 or 1960.

      (c) Extended insurance with pure endowment; terminated in 1958, 1959 or 1960.

(d) Expiration of extended insurance between January 1, 1961, and December 31, 1961, in all instances.

(e) Maturity by total permanent disability award made effective between January 1, 1953, and December 31, 1961; however, the termination dividend was to be paid only upon final termination of the policy. The USGLI termination dividend program ended December 31, 1961, and dividends due on final termination of T and P accounts were paid in 1962.

b. In a case where a 1962 special dividend was paid and the policy terminated under any of the conditions outlined above, the 1961 special dividend became an overpayment at time of settlement and was recovered from the termination dividend.

c. Where a termination dividend was paid on a policy surrendered for its cash value under the provisions of section 623 of the NSLI Act of 1940 and reinstated under the provisions of 38 U.S.C. 1981, the dividend with interest had to be repaid. Repayment of the termination dividend was not required in the replacement of insurance surrendered under the same provision.

***References:***

- 38 U.S.C. 1981: Replacement of Surrendered and Expired Insurance

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## Part I Chapter 6 - Refunds


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| 6.07 | Amount Refunded |
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| 6.09 | Manual Refunds |


**Publication Date:** April 09, 2019

### 6.01 GENERAL

a. Refunds may be made to the insured, a third party (under certain conditions), or to the guardian, legal custodian or fiduciary of an incompetent insured. They will be initiated when requested, or paid automatically, depending upon the type of credit involved. The first full name, middle initial, if any, and last name of the insured will be used in manually prepared refunds to the policyholder.

b. When the amount to be refunded was paid by personal check, refund will not be authorized until 20 days after the date of deposit of check on the following:

   1. Payments for more than $100;

   2. Checks which accompanied a disapproved application;

   3. Payments for which there is no method of recoupment should the check be returned; or

   4. There is a history of dishonored checks (e.g., more than one returned check in the past 2 years). Immediate refund of a recent remittance paid by check may be

authorized if the remittance is less than $100 and there is no history of dishonored checks.

c. Refunds will not be made when:

   1. The amount of the refund is less than $1 and refund of such an amount has not been requested by the insured.

   2. The amount must be applied to prevent lapse on any of the policyholder's accounts.

## 6.02 REFUND TO THIRD PARTIES

a. Refund to third parties or transfers to accounts held by other agencies will not be made of amounts missent or misdirected to VA. Such amounts will be refunded, to the remitter only, even though the intended payee may be apparent.

b. Unapplied credits (not unearned premiums) may be paid to a third party if the third party was the remitter and permission of the insured is obtained.

## 6.03 REFUNDS ON INCOMPETENCY CASES

a. Refunds of amounts less than $350 may be made on the basis of the latest fiduciary information of record available in VA systems if the name and address of a fiduciary are indicated on the master record or a digitally imaged version of VA Form 27-555, Certificate of Legal Capacity to Receive and Disburse Benefits. The refund may be made without contacting the Service Center Manager of the Regional Office of jurisdiction indicated on VA systems.

**NOTE**: If there is evidence that payments of insurance or other benefits to the latest fiduciary of record have been suspended or withheld, a refund will not be processed until a new VA Form 27-555 Certificate of Legal Capacity to Receive and Disburse Benefits is received.

b. Refunds of $350 or more due an incompetent Veteran may not be made until a current VA Form 27-555 (within 6 months) or certification available on VA systems (within 6 months) authorizing the refund.

c. If a guardian has not been appointed and the insured is a patient in a VA hospital, refund will be made to the Director of that hospital. The exception is when the refund of premium due when a disability waiver is granted. In these cases, the Veterans Service Center Manager of the Regional Office of jurisdiction will be requested to advise to whom refund will be made.

## 6.04 REFUND UPON REQUEST

Refunds will be made only upon request for the following types of credits:

a. Unearned premiums - (all premiums subsequent to the premium month in which the request for refund is postmarked are subject to refund).

b. Overages from amounts received as premium payments.

c. Loan or lien overpayments of less than $1.

d. If the total amount of refund equals more than $99,999, split the amount of the refund and process in two days (half one day, half the next day).

## 6.05 SYSTEMATIC REFUND (PROCESSED WITHOUT REQUEST)

The following types of credits will be refunded without request:

a. Amounts tendered with an application which has been disapproved or rejected including appeal cases for which there is no policy. If the application was disapproved because medical requirements were not complete, the applicant will first be given 31 days to submit a new application. However, an amount tendered with a disapproved conversion application will not be refunded unless requested. (See ch. 18, par. 18.21)

b. Unapplied, untimely credits where reinstatement requirements have not been met and the amount is not needed to prevent lapse of any other policy. Refund will be made at the time of final lapse action.

c. Overages of $1 or more which will not pay a monthly premium and which exist when final lapse action is taken, there is no indebtedness, and no other insurance is in force.

d. Amounts on DFB accounts which place the account on a more-than-1-month-in-advance basis.

e. Premiums paid during a period when section 1912 waiver is in force. Premium refunds due to section 1912 will be limited to one year from the effective date of waiver.

f. Overages of $1 or more on permanent plan policies which are paid to the end of the premium-paying period.

g. Premiums paid after the date of the insured's death.

h. Premiums paid which are unearned as of the date of the fraud decision. (See par. 6.06.)

i. Loan or lien overpayments of $1 or more.

j. Reserve credits resulting from contract changes when premiums are being paid by VAMATIC, electronic bank deductions, deductions from VA benefits, allotment from service pay, or waived because of total disability.

k. Overages of $1 or more on allotment accounts which place the account on a more-than-1-month-in-advance basis.

***References:***

- M29-1, Part I, Chapter 18, Section 18.21: Conversion Disapproved – Term Insurance Continued
- 38 U.S.C. 1912: Total Disability Waiver
- M29-1, Part I, Chapter 6, Section 6.06: Refund of Premiums in Fraud Cases

## 6.06 REFUND OF PREMIUMS IN FRAUD CASES

When a policy is canceled or voided for fraud, premiums paid for any period subsequent to the fraud decision will be refunded without interest. The amount of any dividends, loan, or other insurance payment made as a result of the fraudulent issue, reinstatement, or conversion will be deducted from the refund.

## 6.07 AMOUNT REFUNDED

a. Earned premiums properly applied to an account and subject to refund because of 1912 waiver will be refunded on a monthly basis starting with the premium month in which the waiver is effective and ending with the premium for the last month paid or current processing month, whichever is earlier. When premiums are paid by allotment or deductions from benefit payments, unearned premiums will be refunded on a monthly basis to the date VA requests the discontinuance or suspension to be effective.

b. Refunds of unearned premiums properly applied to an account beyond three months will be calculated on a present value basis when refunding a duplicate payment submitted inadvertently; the refund will be in the exact amount of the duplicate remittance.

c. Refunds of amounts not previously applied to premiums will be in the amount tendered.

***References:***

- 38 U.S.C. 1912: Total Disability Waiver

## 6.08 REFUNDS INVOLVING OVERAGES AND SHORTAGES

a. When a refund is authorized and it is necessary to eliminate an overage or a shortage, the following rules will apply to deduction accounts:

   1. If the overage does not exceed a monthly premium or the shortage is less than $1, it will not be necessary to verify the amount.

   2. If the overage exceeds a monthly premium or the shortage is in excess of $1, the amount will be verified by history lookup or other means.

b. The following rules will apply to direct pay accounts:

   1. An overage or shortage will not be included in a refund calculation if the insured has been or will be advised of the amount on a premium notice (billing callup within 30 days of refund).

   2. When including overages or shortages shown in the Overage or Shortage field of the Master Record in routine refunds, history lookups will not be required except where the overage or shortage appears to be questionable. In these cases, the amount of the overage must be less than 90 percent of a monthly premium or the amount of the shortage must be not more than 10 percent of a monthly premium.

## 6.09 MANUAL REFUNDS

a. Lost or Never-Received Payments:

   1. If a system-processed payment is returned, lost, or never received by the insured, a re-certified payment is issued through an Off-Tape refund. VA uses the Treasury System to confirm that a payment was not negotiated. The Treasury System creates a report indicating that the payment is outstanding and that Treasury cancelled the payment, Then, VA will reissue the payment to the appropriate party.

b. Returned Payments:

   1. VA researches why the payment was returned. VA will update the payment information in VA systems noting the returned check and the changes required to reprocess the payment, a re-certified payment is issued through an On-Tape refund.

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## Part I Chapter 7 - Renewal of Term Insurance


| Subsection | Name |
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| 7.01 | NSLI |


**Publication Date:** April 09, 2019

### 7.01 NSLI

a. History

1. The original NSLI Act of l 940, approved October 8, 1940, provided for the issuance of insurance on the 5-year level premium term (5LPT) plan only, with the privilege of conversion to a permanent plan at any time after the policy had been in force for 1 year and within the 5-year term period. It further provided that all 5LPT policies would terminate at the expiration of the 5-year term period.

2. Public Law 118, 79th Congress, approved July 2, 1945, automatically extended all 5LPT policies, issued on or before December 31, 1945, for an additional 3 years with premiums to continue at the same rate.

3. Public Law 838, 80th Congress, approved June 29, 1948, authorized the renewal of 5LPT policies, issued before January l, 1948, for an additional 5 years at the premium rate for the attained age.

4. Public Law 104, 82d Congress, approved August 2, 1951, provided that at the expiration of any term period, a 5LPT policy may be renewed for a successive period of 5 years.

5. Prior to July 23, 1953, an application was required to affect a renewal unless premiums were being waived. Public Law 148, 83d Congress, enacted July 23, 1953, authorized automatic renewal of 5LPT policies expiring on and after that date without an application, provided the final premium for the expiring contract was timely paid or waived.

6. Public Law 881, 84th Congress, approved August 1, 1956, authorized reinstatement and renewal of term insurance which lapses in either of the last 2 months of a term period which expires on or after July 23, 1953. Such reinstatements and renewals, which may be affected within the succeeding term period, will be contingent upon meeting reinstatement requirements, including the payment of a premium at the rate for the expired term insurance for the month of lapse, and a premium at the renewed rate for the month of reinstatement. This law is still in effect.

7. Public Law 291, 91st Congress, approved June 25, 1970, provided that renewal shall be effective in cases in which the policy is lapsed only if the insured makes

application for reinstatement and renewal of his or her term policy within 5 years after the date of lapse.

b. Current Rules

1. 38 U.S.C. 1905 and 38 CFR 8.26 provide that:

   (a) All or any part of an NSLI policy on the 5LPT plan or limited convertible 5LPT plan, which is not lapsed at the expiration of any 5-year term period, shall be automatically renewed without application or medical examination, for a successive 5-year period if the insured has not selected another plan of insurance.

   (b) The renewal will become effective as of the day following the expiration of the preceding term period. However, if the 5LPT policy was issued with February 29 as the effective date (month and day), upon renewal the effective date will be February 28 (month and day).

   (c) The premium for the renewed policy will be at the 5LPT rate for the attained age of the insured on the renewal date.

   (d) 5LPT premium rates shall not exceed, as applicable, the renewal age 70 term premium rate.

2. Public Law 91-291, effective June 25, 1970, provides that any 5LPT policy that lapsed for non-payment of the premium due may be reinstated and renewed within 5 years of the date of lapse. Reinstatement and renewal is available to the insured provided:

   (a) Submits written application for reinstatement of the insurance;

   (b) Tenders two monthly premiums, one for the month of lapse at the rate for the expired term, and one for the month of reinstatement at the rate for the new term; and

   (c) Meets the usual health requirements for reinstatement. See Chapter 3 –Lapse, Revival, and Reinstatement of Insurance.

3. If the insured is shown by satisfactory evidence to be totally disabled at the expiration of the term period, under conditions which would entitle him or her to continued insurance protection but for such expiration, the insurance shall be automatically renewed for an additional 5-year period at the premium rate for the attained age of the insured.

4. When an insured tells VA he or she is not renewing the term insurance at point of renewal, or at any time other than in connection with renewal, because he or she cannot afford to pay the higher premiums, they will be offered an opportunity to renew a reduced amount of insurance using the amount of premium he or she was paying in the prior term period applied at the premium rate for his or her renewal age.

**NOTE**: In September 2000, term insureds over age 70 became eligible for a termination dividend when the policy lapsed (insured stopped paying premiums) or when the

policy is canceled at the request of the insured. If a termination dividend is paid, the insured will no longer have a term policy. The following options will be offered:

(a) receive a termination dividend as a cash payout, or

(b) use the termination dividend to purchase paid up insurance (PUA), or

(c) Stop paying premiums and after six months, the termination dividend will be used to purchase PUA.

5. When a 5LPT policy renews at age 70 and the policy is on waiver (How Paid 5), the term policy is converted to either:

   (a) 20 Payment Life Policy – if the insurance age is 75 or below.

   (b) Ordinary Life Policy – if the insurance age is 76 or above.

   **NOTE**: Should the insured request to retain his/her term insurance, VA will explain the options and benefits of both keeping the permanent plan or retaining term insurance and comply with the insured's decision. As the conversion is automatic, should the insured desire to retain his/her term insurance, VA will reverse the conversion.

***References:***

- 38 U.S.C. 1905: Renewal
- 38 CFR 8.26: Renewal of National Service Life Insurance on the 5-Year Level Premium Term Plan

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## Part I Chapter 8 - Loans


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**Effective Date:** May 27, 2021

### 8.01 GENERAL

a. Authority for granting loans on Government insurance is included in:

   1. 38 U.S.C. 1906, 38 CFR 8.13 (NSLI)

   2. 38 U.S.C. 1944, 38 CFR 6.13 (USGLI)

b. A loan may be granted on any policy issued on a permanent plan at any time after the first policy year which has a loan value and is in force on a premium-paying basis

(including waiver of premium) or as paid-up insurance and any 5-year level term policy with paid-up additions attached. This includes policies surrendered for reduced paid-up insurance, but excludes policies matured because of total and permanent disability or surrendered for cash or extended term insurance. A lapsed policy does not have a loan value; however, a loan may be granted as an incident to reinstatement of a lapsed permanent plan after the first policy year.

c. A loan may not be granted in any amount less than $2.00 or any amount exceeding 94 percent of the reserve of the policy.

d. Multiple loans may be granted if the amount of the loan requested exceeds the loan value of any one of the policies and the amount is available on more than one of the policies.

e. Application for a loan may be made using the following:

1. The insured's VA Life Insurance Online Policy Access account, or

**Note**: When submitting an application online, the insured will receive an instant decision on the loan request or will be directed to submit a paper application if an instant approval cannot be immediately determined.

2. VA Form 29-1546, Application for Cash Surrender/Policy Loan, or

3. VA Form 29-5772, Loan and Cash Surrender Values (Government Life Insurance), or

4. Any type of document or letter, signed by the insured, which clearly expresses the intent of the insured.

**NOTE**: When the insured submits an informal application for cash surrender which does not clearly express his or her intent, it will be accepted and processed as an informal application for loan in the maximum amount. If the insured reiterates his or her request for cash surrender, the effective date will be governed by the postmark date of the original request.

f. When processing loans for the maximum amount, the term "MAX" will be used during internal processing, but the loan letter will provide the full loan value, including dollars and cents.

g. When processing requests for loan information, the full loan value, including dollars and cents, will be provided to the insured.

h. The annual rate of interest charged on loans is as follows:

**NATIONAL SERVICE LIFE INSURANCE (NSLI)**

| LOAN EFFECTIVE DATE | PERCENT |
|---|---|
| From 08/08/40 through 07/31/46 | 5 |
| On 08/01/46 the rate of interest for 5% loans was changed to 4% per annum | |

| | |
|---|---|
| From 08/01/46 through 01/10/71 | 4 |
| From 01/11/71 through 07/28/81 | 5 |
| From 07/29/81 through 11/01/87 | 11 |
| From 11/02/87 through 09/30/1992 | Variable (initial rate set at 8%) |
| From 10/01/1992 through 09/30/1993 | Variable (7%) |
| From 10/01/1993 through 09/30/1995 | Variable (5%) |
| From 10/01/1995 through 09/30/1998 | Variable (6%) |
| From 10/01/1998 through 09/30/2000 | Variable (5%) |
| From 10/01/2000 through 09/30/2001 | Variable (6%) |
| From 10/01/2001 through Current Date | Variable (5%) |

**UNITED STATES GOVERNMENT LIFE INSURANCE (USGLI)**

| LOAN EFFECTIVE DATE | PERCENT |
|---|---|
| From 05/01/19 through 07/18/39 | 6 |
| From 07/19/39 through 07/31/46 | 5 |
| From 08/01/46 through 01/10/71 | 4 |
| From 01/11/71 through Current Date | 5 |

i. All NSLI policy loans issued on or after November 2, 1987 are assigned the variable interest rate. The new rate was initially set at 8 percent per annum based on the June 1987 level of the economic indicator. The rate will be reviewed annually at the end of the June calendar month. If a change is necessary, the new rate will become effective on the following October 1st. Rate changes will not be made more frequently than once a year. A loan issued under the variable interest rate provision will be limited to a maximum interest rate of 12 percent and a minimum of 5 percent per annum. Existing loans issued at the 4 or 5 percent fixed rate were not affected by this change.

***References:***

- 38 U.S.C. 1906: Policy Provisions
- 38 CFR 8.13: Policy Loans
- 38 U.S.C. 1944: Policy Provisions
- 38 CFR 6.13: Policy Loans

*Forms*

- VA Form 29-1546: Application for Cash Surrender

*Recordings*

- Instant Loan Approval Demo

## 8.02 PERSONS TO WHOM LOANS MAY BE GRANTED

Loans may be granted to:

a. The insured, if the insurance records do not indicate incompetency.

b. VA appointed Guardian/Fiduciary 38 CFR 6.21 (USGLI), 38 CFR 8.32 (NSLI).

c. The insured, through an attorney-in-fact, if the insured gives specific delegation of authority to the attorney-in-fact to negotiate the loan and specifies the particular policy to be affected.

d. The legal guardian, committee, conservator, curator, or trustee for the insured, provided the application is supported by a court order from the court of jurisdiction if required under the State law.

***References:***

- 38 CFR 6.21: Guardian: Definition and Authority
- 38 CFR 8.32: Authority of the Guardian

## 8.03 REQUIREMENTS FOR GRANTING AND PROCESSING LOANS

a. Requirements for granting a loan are as follows:

1. Normal loan processing: The application must be completed properly and signed by the insured or any person listed under section 8.02. Online applications are automatically accepted due to authentication requirements prior to the submission of loan applications. For paper applications (including document upload), the signature on the application for a loan will be compared with the insured's signature on the original application for insurance or other documents in the insurance folder to ascertain that the insured signed the request for loan. Electronic signatures will be accepted on loan applications or any other document listed under 8.01(e) unless there is a clear indication of fraud. If the insured expressed in figures the amount of loan desired and also checks the maximum loan block, the loan will be processed by accepting the amount expressed in figures, provided sufficient loan value is available. Otherwise, the loan will be processed for the maximum amount available.

2. Urgent Loan processing: All online loan applications will provide instant acceptance or direct the insured to submit a paper application. If a completed and signed paper application for a loan has been received indicating an urgent need, an Insurance Specialist can verify the request by phone in cases where there is any issue with the validity of the loan request that might delay processing.

3. The insurance must have a loan value, and premiums must be paid or waived through the month in which the loan is granted. Applications made within 30 days after the end of the grace period will be accepted as timely. The necessary deductions will be made from the loan to pay premiums through the premium month in which the loan is granted.

b. A loan application will be processed as indicated below:

1. The loan application will be processed without regard to the date of a recent payment on loan and lien indebtedness provided the amount of the payment is less than $100. When the remittance is a check for $100 or more, processing will be delayed if less than 20 days have elapsed since the payment was deposited, and the total loan indebtedness and remittance will exceed the maximum reserve value. Processing will not be delayed if the remittance was a certified check, money order, or deduction from VA benefits, or service pay.

2. If a remittance is later returned as uncollectible, and, as a result, premiums are not paid through the premium month in which the loan was granted, a premium lien will be established immediately and the account updated.

**c.** When a new variable loan is granted on a policy with existing outstanding 4 and 5 percent loans, the 4 and 5 percent loan(s) will be combined as a single 4 percent loan. Then, the remaining two loans must be treated separately from the standpoint of maintenance and loan interest billing. Both loans will have the same anniversary date. Interest on the 5 percent loan is capitalized to the month and day of the new loan.

***References:***

- M29-1, Part I, Chapter 8, Section 8.02: Persons to Whom Loans May Be Granted

## 8.04 EFFECTIVE DATE OF LOANS

The effective date of a loan will not be later than the date through which premiums are paid. Loans which would normally be granted with an effective date of February 29 will be processed with an effective date of February 28.

a. When the proceeds of the loan are to be applied to pay premiums only on one or more of the insured's policies, the effective date of the loan will be the postmark/online submission date of the application.

b. When the proceeds are to be paid in cash or when part is to be paid in cash and the remainder applied to premiums, the effective date of the loan will be the date on which the loan payment is released.

c. When the proceeds are to be applied to effect a change of contract from a lower to higher reserve or from a term to an antedated permanent plan, the effective date of the loan will be the same as the effective date of change of contract. Loans of this type will be established on the new contract.

d. When a loan is granted at the time of reinstatement, the effective date of loan will be the postmark date of the application for reinstatement.

## 8.05 DEDUCTION OF INDEBTEDNESS AND PREMIUM FROM A LOAN

a. The following types of indebtedness will be deducted from the amount of the loan:

1. Outstanding loan on the policy on which the loan is to be granted, plus interest to the effective date of the new loan.

2. Premium lien or shortage on the policy on which the loan is to be granted.

3. Insurance overpayment lien on the policy on which the loan is to be granted. If the lien exists on a policy other than the one on which the loan is to be granted, the lien will be deducted from the loan and the insured will be advised of the action taken. The insured will be notified that if he or she objects to the action taken and returns the check representing the loan, the transaction will be canceled, and the loan application disapproved.

4. Finance indebtedness if any part of the loan is to be paid in cash. If the indebtedness is on a policy other than the one on which the loan is granted, the indebtedness will be deducted, and the insured advised of the action taken. The insured will be notified that if he or she objects to the action taken and returns the check representing the loan, the transaction will be canceled, and the loan application disapproved.

b. When premiums are not paid through the premium month in which a loan is to be granted and reinstatement requirements need not be met, the unpaid premiums, plus interest if applicable, will be deducted from the amount of the loan. However, if there is a dividend credit balance sufficient to pay the unpaid premium(s), the application will be processed after premiums are paid current. The insured may request to use dividend credit to bring the account current. Deductions from the loan to pay premiums in advance will be made only if authorized by the insured or persons authorized to apply for a loan on his or her behalf under 8.02.

c. When the amount of loan requested does not take into consideration outstanding indebtedness of the types mentioned in subparagraph "a" above or unpaid premiums, the amount of the loan will be increased by the amount of indebtedness and/or unpaid premiums if the loan value is sufficient.

d. When deductions are made for indebtedness, premiums and/or premium interest, the postmark/online submission date of the loan application will be used as the postmark date of the deductions.

**Note:** In some instances where insureds have an active indebtedness on their policy, online applications will not provide an instant approval. If this happens, the insured will be directed to submit a paper application by mail or document upload.

***References:***

- M29-1, Part I, Chapter 8, Section 8.02: Persons to Whom Loans May Be Granted

## 8.06 GRANTING A LOAN AS INCIDENT TO REINSTATEMENT

a. After the first policy year, a loan may be granted to cover the cost of reinstatement in full or in part, even though the insurance lapsed before the end of the first policy year.

b. When reinstatement of the full amount of the policy is effected and there was an outstanding loan at time of lapse, the outstanding loan, plus interest to the date of reinstatement, must either be paid or reinstated. If the total indebtedness exceeds the cash value of the policy at time of reinstatement, the excess indebtedness must be paid as a condition to reinstating the policy and the balance of the indebtedness. When

reinstatement of only a portion of the policy is effected, the proportionate part of the loan, plus interest to the date of reinstatement, must either be repaid or reinstated.

c. In granting a loan as an incident to reinstatement, a disbursement may also be issued for any remaining loan value provided the amount of loan covers both the amount to be applied to the cost of reinstatement and the amount to be paid in cash.

**Note:** Applications for loans to cover the cost of reinstatements cannot be processed online for instant approval. They must be processed using paper applications and submitted by mail or via document upload.

## 8.07 ISSUANCE OF A LOAN DISBURSEMENT

Loan disbursements will be made payable only to a competent insured and either mailed to the address given on the loan application or the address given by the attorney-in-fact or disbursed via direct deposit to the bank account listed on the policy. When the insured is incompetent, the loan will be made payable to the insured, care of the fiduciary, guardian, committee, conservator, curator or trustee of the insured and in accordance with the rules in paragraph 8.02.

***References:***

- M29-1, Part I, Chapter 8, Section 8.02: Persons to Whom Loans May Be Granted

## 8.08 CANCELLATION OF LOAN OR LOAN APPLICATION

a. A loan application will not be processed if the insured's request for cancellation is received before processing is completed for issuance of a loan disbursement or before 706 Notice of Refund for an approved manual policy loan is released.

b. When a loan disbursement is returned, the loan will be canceled under the following conditions:

   1. The insured states he or she does not want the loan, the insured's request was misunderstood in the granting of the loan, or the period of time between the request for and the processing of the loan was delayed (10 workdays).

   2. The loan was granted to an insured that is incompetent.

   3. The disbursement was returned because of death of the insured.

   4. The disbursement was returned as undeliverable and cannot be remailed immediately.

   5. The returned disbursement was issued in foreign currency.

## 8.09 LOAN INTEREST AND LOAN CREDIT

a. At any time after the first policy year and upon the execution of a loan agreement, VA will lend to the insured any amount which shall not exceed 94 percent of the cash value of the policy.

    1. Any indebtedness shall be deducted from the amount advanced on such loan.

    2. The loan shall bear interest at a variable rate no less than 5 percent per annum and not to exceed 12 percent per annum, payable annually, and the loan may be repaid in full or in amounts of $5 or more.

    3. Failure to pay either the amount of the loan or the interest thereon shall not void the policy unless the total indebtedness shall equal or exceed the cash value thereof. When the amount of the indebtedness equals or exceeds the cash value, the policy shall cease and become void.

    4. On loans applied for before November 2, 1987 and not exchanged pursuant to paragraph b. of this section, the policy loan interest rate in effect when the loan was applied for shall not be increased for the term of the loan.

b. Interest is due on the anniversary date of a loan or at the time of final settlement of that loan. If it is not timely paid, it becomes part of the loan principal and bears interest in the same manner. Upon request, the insured may prepay interest as much as 365 days before the next interest due date; however, no discount or interest credit is allowed for this type of early payment.

c. A period of 20 days after the loan anniversary date is allowed for paying annual interest with no additional allowance for the 20th day falling on a Saturday, Sunday or holiday. VA Form 29-369, Notice of Payment Due, is used to notify the insured of the amount of annual interest due. Payments will be processed as follows:

    1. Interest will not be charged when processing a loan transaction if the transaction date is 20 days or less after the loan anniversary date and the transaction amount is equal to or less than the amount of interest billed.

    2. On non-deduction accounts, payments received during the 30-day period before and the 20-day period after the loan anniversary date, will be applied first to the interest billed and any remaining payment to the loan principal balance. If the transaction amount is greater than the amount of interest billed, interest will be charged on that portion of the transaction amount which exceeds the amount of interest billed.

    3. On deduction accounts, the deductions received during the 30-day period before and the 20-day period after the loan anniversary date, will be applied to the loan principal balance. For this reason, during the interest-free period, there will be no interest credit nor accumulated interest involved on any portion of deductions exceeding the amount of interest billed.

d. Interest credit is allowed whenever an outstanding loan is liquidated or a repayment is made after capitalization of annual loan interest, but before the loan anniversary date of the outstanding loan, except as noted below:

    1. Interest credit will not be given when processing a loan transaction if the transaction date is 30 days or less before the loan anniversary date and the transaction amount is equal to or less than the amount of interest billed.

2. If the transaction amount is greater than the amount of interest billed, interest credit will be given on the portion of the amount which exceeds the amount of interest billed.

3. On deduction accounts, the deductions received during the 30-day period before and the 20-day period after the loan anniversary date, will be applied to the loan principal balance. For this reason, during the interest free-period, there will be no interest credit nor accumulated interest involved on any portion of deductions exceeding the amount of principal and interest billed. Any overpayments will be refunded.

e. Annual interest on policy loans is capitalized 22 days before the loan anniversary date for domestic addresses and 30 days before the loan anniversary date for foreign addresses.

f. Dates of death, and cash surrenders that are within the 20-day period before or after the anniversary date of the loan, are considered when computing accumulated interest or interest credit. If the policy matures within the 20-day period prior to the loan anniversary date, an interest credit is due from the date of maturity to the loan anniversary date. The loan balance prior to capitalization of the annual interest is used to determine the interest credit. If the policy matures within the 20-day period after the loan anniversary date, accumulated interest is due from the loan anniversary date to the date of maturity. The loan balance after annual interest has been capitalized is used to determine the accumulated interest on matured policies.

## 8.10 COMPUTATION OF LOAN INTEREST

a. The formula for calculation of annual loan interest is based on a 365-day year, irrespective of leap year. When partial repayments of loans are made, interest will be computed for the period of time that portion of the indebtedness has been outstanding since the effective date of the loan or the loan anniversary date, whichever is later. It will be held as accumulated interest until the next loan anniversary date or final settlement of the loan, whichever is earlier.

b. Annual loan interest will be computed by determining the amount of interest due on the outstanding loan balance on the anniversary date and adding it to any interest accumulated due to partial repayment of the loan since the last loan anniversary date.

c. Loan interest for less than a year will be computed by determining the amount of interest on the loan principal balance as of a given date and adding it to any interest accumulated due to partial repayment of the loan since the last loan anniversary date or effective date of loan, whichever is later.

## 8.11 REPAYMENT OF LOAN INDEBTEDNESS

a. Loan indebtedness may be paid at any time before default in payment of premiums. Repayment may be made by direct remittance, dividends, deductions from VA benefits or service pay, or any credits. Repayment of loan indebtedness is not compulsory except as indicated below:

1. The policy lapses for nonpayment of premiums. (The loan plus interest to the date of lapse is deducted from the policy reserves.)

2. The policy matures as an endowment or is surrendered for cash. (The loan plus interest to the date of maturity or date of surrender is deducted from the proceeds of the policy.)

3. The policy matures by death. (The beneficiary may repay the indebtedness in full before monthly installments begin, and interest will not be charged after the date of death. Otherwise, the indebtedness plus interest to the date of death is deducted from the proceeds of the policy.)

4. The plan of insurance is changed to one with a lower reserve or the policy is reduced. (The amount of the indebtedness which exceeds the loan value of the retained amount of insurance must be paid with interest or deducted from that part of the reserve payable to the insured.)

5. The policy is surrendered for reduced paid-up insurance. (A loan not in excess of the loan value of the reduced paid-up insurance may be continued on the reduced paid-up policy if requested by the insured.)

6. A new loan is granted on the policy. (The old loan plus interest to the date of the new loan must be paid or included in the new loan.)

b. Loan balances of less than $1 will be transferred to the Variance Shortage Account (29). Overpayment on loans of less than $1 will be transferred to one of the Variance Overage Accounts (28 – Cash Collections or 30 – Offset Amounts) unless a refund is requested.

c. When a notice of an uncollectible or invalid loan payment is received, the credit previously applied will be reversed.

d. Repayments of loan/lien indebtedness will be processed as of the date furnished by Collections. The Collections Section considers the repayments as OPEN MAIL and the processing date is calculated from the date of receipt of the repayments. The PMD (postmark date) is no longer used.

e. If an insured requests that his/her paid-up additions be surrendered and the entire proceeds applied to reduce the loan indebtedness, the loan interest will be calculated as of the postmark date of the request. If only a portion of the cash value is to be applied to the loan, the repayment will be processed as of the last date of the premium month in which the cash surrender application is submitted.

## 8.12 PREPAYMENT OF LOAN INTEREST

Upon request, the insured may prepay interest as much as 365 days before the next loan anniversary date. The full year's interest must be paid. No partial or installment payments to prepay interest are acceptable.

## 8.13 CHANGE OF PLAN WITH EXISTING LOAN

When a plan with an existing loan is changed to a plan with a lower reserve, the loan may not exceed the maximum loan value of the new plan. If it is necessary to reduce the loan, the amount of the reduction with interest to the date of the change will be recovered from the difference in reserve.

## 8.14 TRANSACTIONS INVOLVING TWO POLICY LOANS

When functions involving computer-generated output other than maintenance and loan interest billing are involved; i.e., lapses (including extended insurance), cash surrenders, maturing endowments, calculation of critical dates (automatic surrender), death, etc., all loan information will appear as one indebtedness (both loan principals plus the appropriate interest).

## 8.15 LOAN ON POLICY AND/OR PAID-UP ADDITIONS

a. There is no waiting period before a loan may be made on paid-up additions.

b. The reserve of the paid-up additions will be combined with the reserve of the basic policy when computing the loan value of a policy.

c. If the basic policy is a five-year level premium term policy (5-LPT), a loan will be granted on the paid-up additions only. Any unpaid term insurance premiums will not be deducted from the loan. However, a loan may be granted to pay premiums or to satisfy a request made by the insured.

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## 9.01 COLLECTION OF INDEBTEDNESS

a. It is the policy of the VA that prompt and aggressive demands be made upon the veteran for payment of indebtedness due the VA and to pursue such collection efforts vigorously.

b. A premium, insurance overpayment, or policy loan indebtedness which is secured by an NSLI or USGLI contract may not be waived as to money that becomes due on account of such contract. The indebtedness, if not otherwise paid, will be recouped by offset as outlined in the rules for recovery of the type of indebtedness involved.

b. When an insurance indebtedness is not secured by an NSLI or USGLI contract and remains unpaid, it will be transferred to the Chief, Finance and Data Processing Division.

## 9.02 TYPES OF INDEBTEDNESS

a. There are several types of indebtedness of which record must be maintained in connection with NSLI and USGLI. These types of indebtedness are defined as follows:

   1. Policy Loan Indebtedness includes policy loans and accrued loan interest.

   2. Premium Lien Indebtedness includes administrative liens for unpaid premiums or shortages. It does not include premium shortages of less than 10 percent of a monthly premium or an accumulation of such shortages up to 30 percent of a monthly premium. These shortages are generally paid by direct remittances, but are eligible for setoff under the same rules governing recovery of premium liens if they remain unpaid.

   3. Insurance Overpayment Indebtedness includes administrative liens from erroneous payment or overpayment of any insurance benefit payments, such as dividends, loans, cash surrenders, refunds, etc. The following rules apply to erroneous payment or overpayment of dividends:

      a) No receivable or lien will be established if at the time of the audit the date of discovery is 6 years or more after the date of payment.

      b) If the insurance is in force, no determination will be made as to whether the 1948 and/or 1951 dividend has been paid or if the amount paid was correctly

   4. Section 304 Liens include those liens established for unpaid yearly renewable USGLI term insurance premiums where the insured reinstated under section 304 of the World War Veterans' Act within l year after July 2, 1926, and submitted evidence that he was unable to pay such premiums with interest. These liens may not be currently established.

   5. Section 305 Liens may be currently established. To be eligible, the insured must have been entitled to uncollected disability compensation at the time his USGLI policy lapsed and must have since died or become totally and permanently disabled. The uncollected compensation is not used to pay premiums but is applied as a factor in determining how much insurance is purchased if that amount were applied as premiums from the date of lapse to the date of death or disability. The insurance is payable after the premiums, with 5 percent interest compounded annually through the date of the claim, have been deducted. The amount of premiums and interest thus deducted constitutes a section 305 lien.

6. Section 306 Liens may be currently established and include liens established to provide for the deferment of premiums for USGLI policyholders who are:

   a) Confined in a hospital as a patient of the VA for a compensable disability, or

   b) Rated temporarily totally disabled for a compensable disability, or

   c) Mentally incompetent with no guardian appointed and who allowed their insurance to lapse while mentally incompetent.

7. Finance Indebtedness includes overpayments and illegal payments not in connection with insurance which were made to a veteran or his dependents under laws administered by the VA.

8. Internal Revenue Service Indebtedness includes Notices of Levy for delinquent Federal income taxes.

9. Service Department Indebtedness includes charges against the insurance for amounts paid to the VA by a service department which were not supported by deductions from service pay.

b. The loan/lien segment of the insurance master record provides for the maintenance of policy loan indebtedness and two premium and/or overpayment liens. A one-digit code in the "type lien" block in the lien segment indicates the type of lien. These designations are as follows:

   1. I-premium lien.

   2. J-premium lien, more than 1year interest free period.

   3. 2-overpayment lien.

   4. K-overpayment lien, more than 1year interest free period.

c. Where there are more than two premium and/or overpayment liens, those in excess of two are maintained off tape on VA Form 29-1696, Lien Record Card. Sections 304 and 306 liens, finance, Internal Revenue Service, and service department indebtednesses are maintained off tape. An "X" in the "other indebtedness" block in the life segment of the record printout will indicate the existence of one or more off tape indebtednesses.

## 9.03 ESTABLISHMENT OF LIEN INDEBTEDNESS

a. Administrative liens for premium indebtedness will be established when one or more of the following conditions is disclosed:

   1. Individual premium shortage in excess of 10 percent of a monthly premium or an accumulated premium shortage in excess of 30 percent of a monthly premium which was caused by release of incorrect premium information.

   2. A premium receipt was released in error.

3. The current premium is timely paid but a previous one was unpaid because the VA gave the insured incorrect information.

4. An uncollectible remittance results in premiums not being paid through the premium month in which a loan was granted.

5. The initial deduction for insurance premiums is greatly in excess of the amount of monthly benefit payments available.

6. Premium credits were refunded which should have been used to prevent lapse under Administrator's Decision 902.

7. An insured is rated totally disabled during the grace period of an unpaid premium and a waiver of premiums is established as of the first premium due date following the date total disability commenced.

8. An application for a section 1924 waiver on a term policy was made during the grace period of the first unpaid premium preceding the effective date of the waiver.

9. An allotment which does not cover the premium for the month of lapse is used to reinstate a term policy.

10. An allotment is not adjusted to cover premiums on renewed term policies or other contract changes.

11. A deficient allotment is not adjusted while the insured is in service to cover increased premiums resulting from the acceptance of an older age.

12. An allotment was not adjusted by the Army Finance Center on schedule A, B, or under Public Law 490, 77th Congress, to pay missing premiums.

13. An allotment is inactive and there are premium shortages which resulted from the allotment.

14. A TDIP at age 60 rider is exchanged for a TDIP at age 65 rider and a shortage in TDIP premium from the date of exchange to the next month due resulted.

15. Under the VSDI program, liens were established on certain JR and JS policies for shortages which arose when an application for insurance could not be accepted at standard rates but was acceptable as rated insurance. Liens were established when the:

    a) Applicant sent in the correct premium and advised that he or she wanted the insurance, but was unable to pay the shortage immediately, or

    b) Insured advised that he or she was unable to pay the increased premium, but wanted to continue the insurance in force in a reduced amount and/or lower price plan and sent a premium on the amount and plan desired.

16. When a ruling favorable to the insured is handed down by the Board of Veterans Appeals in an appellate case, the insured will be advised of any monetary adjustment required to pay for the insurance coverage established. Failure to pay the amount required will result in the creation of an interest-bearing lien.

b. Administrative liens for insurance overpayment indebtedness will be established whenever any of the following conditions are disclosed:

   1. Dividend credits were refunded when they should have been used to prevent lapse.

   2. An overpayment is made in connection with insurance benefit payments, such as dividends, loans, cash surrenders, refunds, etc.

   3. A policy is canceled because of fraud and insurance benefit payments were made on or after the date on which the fraudulent action occurred.

c. Section 306 liens will be established to provide for the deferment of premiums for certain USGLI policyholders under the following conditions:

   1. The veteran is confined in a hospital as a patient of the VA for a compensable disability or has been rated temporarily totally disabled by reason of injury or disease which entitles him or her to compensation. The veteran must make application during his or her lifetime. The period of deferment shall begin with the month of confinement in a hospital or the month in which the rating of temporary total disability is made, except the period of deferment shall not include any month before the month in which application is made. The period of deferment shall end with the last day of the month during the half or major fraction of which the policyholder was confined in the hospital or was rated temporarily totally disabled.

   2. The veteran who is mentally incompetent and has no legal guardian and whose insurance lapsed while the insured was mentally incompetent. Application for deferment of premiums is not required and such deferment may be retroactive to cover premiums for the period of incompetency. The period of coverage shall be from the due date of the month in which the insured became mentally incompetent and shall end with the last day of the last month during the half or major fraction of which the insured continues to be go rated and until the guardian has notified the VA of his or her qualification, but not later than 6 months after appointment as guardian.

   3. Section 306 liens bear interest at 5 percent per annum, compounded annually, from the due date of each premium.

   4. Insurance will lapse after termination of the deferment of premiums if premiums are not paid on the due date or within the 31-day period. Upon reinstating insurance, the section 306 lien may be reinstated even though the indebtedness exceeds the reserve of the policy.

***References:***

- 38 U.S.C. 1924: In-Service Waiver of Premiums

## 9.04 ESTABLISHMENT OF FINANCE INDEBTEDNESS

a. Finance indebtedness will be indicated on the master record of a participating insurance account as Other Indebtedness when such indebtedness is reported by a regional office provided:

1. The account is active, or

2. The account is inactive and there are refunds or dividends due.

b. When these conditions are not met, the notice of the finance indebtedness is returned to the regional office as uncollectible.

## 9.05 ESTABLISHMENT OF INTERNAL REVENUE INDEBTEDNESS

a. Tax levies against the proceeds of government Life Insurance policies by Internal Revenue Service are subject to setoff from the sources listed below. However, such levies will not take precedence over insurance indebtedness or other debts subject to setoff under veterans laws. (General Counsel's Opinion, VA-OP 27-57 and 26 U.S.C. 6332.)

   1. Dividends: All dividends payable in cash, dividends on deposit while on deposit, or withdrawal of dividend credits, except automatic withdrawal to prevent lapse. Dividends which have been used to pay premiums in advance are not subject to tax levy unless they become refundable to the insured or the beneficiary, but only for indebtedness of the person to whom such benefit is payable. Dividends are not subject to levy if the dividend option is paid-up additions.

   2. Premiums: Premiums refunded because of disability (total or total permanent), refund of unearned premiums, suspense credits, or PIR (pure insurance risk) portion of permanent plan premiums.

   3. Loans: Even though the insured has not applied for a loan, the loan value of the basic policy and the paid-up additions, if any, are subject to levy.

   4. Cash Surrender: If the insured has made written application.

   5. Disability Payments: Total disability provision payments, and/or total permanent disability payments.

   6. Matured Endowments: Payment of proceeds of a matured policy, either lump-sum or monthly installments, are subject to levy, but only for indebtedness of the person to whom such proceeds are payable.

   7. Unpaid Dividends, Unearned Premiums, and the proceeds of a policy matured by death are subject to levy if the indebtedness to the Government is against the beneficiary.

b. Internal Revenue Service levies will be honored if monies from one or more of the sources referred to above are available or will become available within 1 month from the date the notice of levy is served.

c. A record of all levies processed will be maintained for statistical purposes.

***References:***

- 26 U.S.C. 6332: Surrender of Property Subject to Levy

## 9.06 ESTABLISHMENT OF SERVICE DEPARTMENT INDEBTEDNESS

a. If a service department requests the VA's help in recovering allotment payments which were not supported by deductions from the insured's service pay, the request will be honored provided the indebtedness is $5 or more and the insurance is in force. When the amount is less than $5 or the insurance is inactive, the request will be returned to the service department with an explanation. If a charge is placed against an insured's account, the insured will be advised.

b. A service department indebtedness is non-interest-bearing. It is maintained off-tape, and is designated as Other Indebtedness on the master record.

## 9.07 RECOVERY OF POLICY LOAN INDEBTEDNESS

a. Recovery of policy loan indebtedness from the contract on which the indebtedness exists may be effected during the insured's lifetime without the insured's consent from amounts involved in the following transactions:

    1. Subsequent policy loan.

    2. Cash surrender.

    3. Application of reserve to purchase paid-up or extended term insurance.

    4. Change of plan (to the extent that the amount of loan outstanding exceeds the loan value of the new policy).

    5. Reduction.

    6. Proceeds of matured endowment.

b. In death cases, policy loan indebtedness will be collected without the consent of the beneficiary or guardian from the payment of death insurance benefits from the contract on which the indebtedness exists.

## 9.08 RECOVERY OF PREMIUM LIEN INDEBTEDNESS

a. Recovery of premium indebtedness from the contract on which the indebtedness exists will be effected during the insured's lifetime without (the insured's] consent, unless otherwise noted, from amounts involved in the transactions shown below. (Reduction, renewal, conversion, change of plan, division, consolidation and reinstatement are considered as continuation of the particular contract.)

    1. Policy loan.

    2. Cash surrender.

    3. Application of reserve to purchase paid-up or extended term insurance.

    4. Change of plan from a higher to a lower reserve value except when the old policy has been in force less than 12 months.

5. Reduction.

6. Payment of proceeds as a matured endowment.

7. Total disability income provision benefits.

8. Disposition of dividends, except dividends retained as a credit at interest and applied to pay premiums under the provisions of 38 U.S.C. 1907 and 1946.

**NOTE**: If the insured requests that dividend credits be paid in cash, applied to pay premiums in advance, or placed on deposit under the provisions of the policy, [the insured] will be advised that if the request is honored, the premium indebtedness will be collected from the amount due. The insured will be afforded an opportunity to withdraw the request within 15 days from the date of notice.

9. Refund of premiums paid for a period during which a total disability waiver is or was in effect.

10. Refund of PIR credits provided the premium indebtedness consists of shortages which arose during the refund period.

11. Refund of suspense items, other than to a third party remitter -

12. Refund of unearned premiums.

b. Recovery of premium indebtedness from the contract on which the indebtedness exists will be effected in death cases without the consent of the beneficiary or guardian from amounts involved in the fo1lowing transactions:

1. Payment of death insurance benefits.

2. Payment of dividends.

3. Refund to the estate of the deceased veteran on any insurance contract which is not in force at date of death.

c. Under no circumstances involving permanent plans of insurance, when the reserve is sufficient to satisfy the indebtedness, [will] money tendered after the date of lapse be used to liquidate premium indebtedness, even though the insured may grant permission to do so. However, when the reserve is insufficient to liquidate the indebtedness, amounts intended as premium payments tendered after lapse may be [used] to satisfy that portion of the indebtedness remaining after the reserve has been used in partial liquidation of the total indebtedness with specific written consent of the insured.

***References:***

- 38 U.S.C. 1907: Payment or Use of Dividends
- 38 U.S.C. 1946: Dividends to Pay Premiums

## 9.09 RECOVERY OF INSURANCE OVERPAYMENT INDEBTEDNESS

a. Recovery of insurance overpayment indebtedness will be effected during the insured's lifetime without his or her consent, unless otherwise noted, from amounts involved in the following transactions:

1. Policy loan on any of the insured's contracts or cash surrender of any of the insured's contracts.

**NOTE**: If the insured applies for a loan or cash surrender of a contract other than the one on which the indebtedness exists, the amount of the indebtedness will be deducted from the loan or cash surrender value and the payment authorized. The insured will be advised of the action taken and will be told if he or she objects to the action taken and returns the check representing the loan or cash surrender value of the policy (less the indebtedness), the entire transaction will be canceled and the policy restored to the same condition it was in before the action was taken.

2. Application of reserve to purchase reduced paid-up insurance or extended term insurance on the contract on which the indebtedness exists unless the indebtedness resulted from the accelerated payment of dividends.

   a) If the indebtedness was incurred on or before the date of lapse, the indebtedness will be collected by recomputing the net cash value and reducing the amount and period of extended term insurance provided the net cash value will purchase extended term insurance through the premium month in which the recomputation is made. When the total indebtedness cannot be collected in this manner, part of it will be collected by recomputing the net cash value and using as much of the net cash value as is necessary to purchase insurance equal to the face amount less the total indebtedness as of the date of lapse through the premium month during which recomputation is made and applying the balance of the cash value as a partial payment on the indebtedness.

   b) If the date the indebtedness was incurred is after the date of lapse, the indebtedness, if not otherwise liquidated, will be collected only upon settlement of the insurance.

3. Cash payment of the difference in reserve resulting from a change of plan to a lower reserve of any of the insured's contracts.

**NOTE**: If the difference in reserve is not paid in cash and the old policy has been in force 12 or more months, the indebtedness will be collected only if it exists on the contract involved in the change of plan. If the policy being changed has been in force less than 12 months, the difference in reserve may be used only to pay premiums.

4. Cash payment of the reserve resulting from the reduction of any of the insured's contracts. If the reserve is not paid in cash, the indebtedness will be collected only if it exists on the contract involved in the reduction.

5. Payment of the proceeds of any matured endowment contract of the insured.

6. Total disability income provision benefits on any of the insured's contracts.

7. Disposition of dividends on any of the insured's contracts in accordance with the rules included in paragraph 9.08a(8).

8. Refund of premiums paid for a period during which a total disability waiver is in effect on any of the insured's contracts.

9. Refund of pure insurance risk credits on the contract on which the indebtedness exists, provided the indebtedness represents a dividend erroneously paid during the period the PIR credits were earned.

10. Refund of suspense items, other than to a third-party remitter, on any of the insured's contracts.

11. Refund of unearned premiums on any of the insured's contracts.

12. VA benefit payments to the insured.

b. Recovery of insurance overpayment indebtedness will be effected in death cases without consent of the beneficiary or guardian from amounts involved in the following transactions:

1. Payment of dividends or death insurance benefits to the beneficiary on the contract on which the indebtedness exists.

2. Payment of dividends or death insurance benefits to the insured's estate on any of the insured's contracts.

3. Refunds to the estate of the deceased veteran on any insurance contract not in force at the date of death.

***References:***

- M29-1, Part I, Chapter 9, Section 9.08: Recovery of Premium Lien Indebtedness

## 9.10 RECOVERY OF SECTIONS 304 and 306 LIEN INDEBTEDNESS

a. The law provides that section 304 lien indebtedness be deducted from the proceeds of insurance in any settlement. Regular dividends are applied to offset these liens on permanent plans only if such indebtedness is in excess of the reserve of the policy. However, if the reserve exceeds such indebtedness, the dividend is paid under the option of record. 1f the insured gives his or her permission to apply dividends to the indebtedness, regular dividends may be used as offset on term and permanent plan policies. If the insurance is reduced, only the lien and interest on the reduced amount of insurance will be continued.

b. Section 306 liens may be deducted from the proceeds of insurance in any settlement thereunder; or from the cash value, if taken in cash or used to purchase reduced paid-up or extended insurance, or in making a loan. When section 306 indebtedness equals or exceeds the cash value, the policy will not be automatically surrendered as long as current premiums are paid or waived. If the lien is in excess of the cash value at the time of termination of the policy for any reason other than death or total and permanent disability, there shall be transferred from the Military and Naval Insurance Appropriation to the USGLI fund, a sum equal to the amount such indebtedness exceeds the cash surrender value.

## 9.11 RECOVERY OF FINANCE INDEBTEDNESS

a. Recovery of finance indebtedness will be effected during the insured's lifetime, without his or her consent, unless otherwise noted, from amounts involved in the following transactions:

   1. The portion of a policy loan on any of the insured's contracts which is paid in cash or cash surrender of any of the insured's contracts.

   **NOTE**: When an application for a loan or cash surrender of a contract other than the one on which the indebtedness exists is processed, the indebtedness will be deducted from the amount of the loan or the cash surrender value and the payment authorized. The insured will be advised of the action taken and will be told if he or she objects to the action taken and returns the check representing the loan or cash surrender value of the policy (less the indebtedness, the entire transaction will be canceled and the policy restored to the same status it was in before the action was taken.

   2. Cash payment of the difference in reserve resulting from a change of plan from a higher to a lower reserve value of any of the insured's contracts.

   3. Cash payment of the reserve resulting from the reduction of any of the insured's contracts.

   4. Payment of the proceeds of any matured endowment contract of the insured.

   5. Disposition of dividends on any of the insured's contracts in accordance with the rules included in paragraph 9.08a(8).

   6. Refund of premiums paid for a period during which total disability waiver is in effect on any of the insured's contracts.

   7. Total disability or total and permanent disability benefits on any of the insured's contracts.

   8. Refund of suspense items, other than to a third-party remitter

   9. Refund of unearned premiums on any of the insured's contracts.

b. Recovery of finance indebtedness will be effected in death cases without the consent of the beneficiary or guardian from amounts involved in the following transactions:

   1. Payment of dividends or death insurance benefits to the insured's estate on any of the insured's contracts.

   2. Refunds to the estate of a deceased veteran on any of his or her insurance contracts not in force on the date of death.

***References:***

- M29-1, Part I, Chapter 9, Section 9.08: Recovery of Premium Lien Indebtedness

## 9.12 RECOVERY OF SERVICE DEPARTMENT INDEBTEDNESS

The rules for recovery of service department liens are the same as those for recovery of premium liens.

## 9.13 RECOVERY OF LIEN INDEBTEDNESS FROM SERVICE DEPARTMENTS

a. Service departments will reimburse the VA, upon request, for any overpayment of insurance benefits brought about by delayed submission of allotment discontinuance or inactive allotment adjustments.

b. The reimbursement will be made in the amount of overpayment or of the premiums, whichever is the lesser amount, that would have been payable to the premium month in which the VA's disbursement action was taken.

## 9.14 INTEREST ON LIEN ACCOUNTS

a. Non-interest-bearing liens. Interest will not be charged on:

   1. Liens repaid within l year from the date of initial notification.

   2. Liens established when premium deduction from VA benefits has been authorized but not deducted (VA Regulation 3410).

   3. Liens established for renewal of term policies when an allotment or deduction is late or on a current basis.

   4. Liens which are repaid or collected for service departments.

   5. Liens which are established on allotments from active service or retired pay.

b. Rate of interest charged on liens. The rate of interest on sections 304, 305 and 306 liens is 5 percent. The current rate on other interest-bearing liens is 4 percent, and the date of notification to the insured will be used as the lien effective date for interest purposes. (From July 19, 1939, to August 1, 1946, the interest rate was 5 percent. Prior to July 19, 1939, the interest rate on USGLI liens was 6 percent.)

c. Interest will be computed in the same manner as prescribed for loan interest in Chapter 8, paragraphs 8.09 and 8.10.

d. Premium liens on inactive accounts will be considered uncollectible if satisfactory arrangements for repayment are not made within 4 months from the lien effective date. Insurance overpayment liens on inactive accounts will be considered uncollectible 6 months after the lien effective date if there are no insurance or VA benefits due or becoming due on any of the insured's accounts and/or no satisfactory arrangements have been made to repay the indebtedness.

***References:***

- M29-1, Part I, Chapter 8, Section 8.09: Loan Interest and Loan Credit

- M29-1, Part I, Chapter 8, Section 8.10: Computation of Loan Interest

## 9.15 RE-ESTABLISHMENT OF INDEBTEDNESS TRANSFERRED TO THE FINANCE DIVISION COLLECTED FROM RESERVE AT TIME OF LAPSE

a. When any plan of insurance is reinstated, an indebtedness previously considered uncollectible or previously collected from the reserve at time of lapse must either be repaid or reestablished at the time of reinstatement.

b. When a reduced amount of a 5-year level premium term policy is reinstated, the full amount of the original indebtedness with interest to the date of reinstatement must be repaid or reestablished on the amount of insurance reinstated.

c. When a permanent plan policy is reduced or divided at the time of reinstatement, only the applicable portion of the indebtedness with interest to the date of reinstatement must be repaid or reestablished on the amount of insurance reinstated.

**NOTE**: When only a portion of a permanent plan policy is reinstated, the following action will be taken if, at the time of lapse, the lien exceeded the reserve of the policy: The reserve at the time of lapse on that portion of the policy which is not reinstated will be deducted from the original lien plus interest to the date of lapse. The remainder will be established as a lien on that portion of the insurance which is reinstated.

## 9.16 WAIVER OF CERTAIN OVERPAYMENTS

a. An overpayment to an insured from an insurance contract which is not secured by a United States Government Life Insurance or National Service Life Insurance contract, either in force or subject to being placed in force, may be waived. (VA Regulation 5207(B))

b. When an insurance overpayment is subject to waiver, the veteran must be advised of his or her rights.

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## 10.01 POLICIES WITH CASH VALUE

a. All permanent plans of insurance in force by payment or disability waiver of premiums have cash values upon completion of the first policy year. The reserve is increased by one-twelfth of the increase in reserve for the current year for each month a premium has been paid or waived and earned.

b. Term policies in force by payment or disability waiver have no cash value, except in the following situation:

   1. Termination reserve values have been established based upon the 1980 Commissioners Standard Ordinary Basic Table and interest at five per centum per annum in accordance with accepted actuarial practices for term policies under the National Service Life Insurance policy prefixed with "V" or Veterans Special Life Insurance policy prefixed with "RS," issued on a 5-year level premium term plan in which premiums have been capped (frozen) at the renewal age 70 rate. This termination reserve is used to purchase paid-up additional insurance as the basic term policy is cancelled. This paid-up additional insurance is maintained as part of the current insurance master record. 38 CFR 8.33.

c. Paid up additional insurance has cash value immediately upon earning. See Chapter 5, 5.14.

d. Authority for surrendering a policy or paid up additions for cash value or for reduced paid-up insurance is included in:

1. 38 U.S.C. 1906 (NSLI)

2. 38 CFR 8.11, 8.15, 8.33

***References:***

- 38 CFR 8.33: Cash Value for Term-Capped Policies
- M29-1, Part I, Chapter 5, Section 5.14: Paid-Up Additions Options
- 38 U.S.C. 1906: Policy Provisions
- 38 CFR 8.11: Cash Value and Policy Loan
- 38 CFR 8.15: Provision for Paid-Up Insurance; Other Than 5-Year Level Premium Term or Limited Convertible 5-Year Level Premium Term Policies

## 10.02 PERSONS WHO MAY SURRENDER A POLICY

a. The insured, if competent.

b. VA appointed federal fiduciary (38 CFR 8.32)

c. The insured through an attorney-in-fact, provided an appropriate power of attorney or other documentation is of record.

d. The legal guardian (committee, conservator, curator, or trustee) for an incompetent insured, provided the application is supported by documentation of court appointment from the court of jurisdiction. A specific court order is not required to request a cash surrender.

***References:***

- 38 CFR 8.32: Authority of the Guardian

## 10.03 NET CASH VALUE

The net cash value available for cash surrender or reduced paid-up insurance, is the reserve plus the dividends on deposit minus any indebtedness.

## 10.04 DATE CASH VALUE IS ESTABLISHED

When a policy is surrendered for cash or for reduced paid-up insurance the cash value will be established as follows:

a. **Premiums Paid By Deduction From Service Pay.** When the allotment is on a month-in-advance basis, the cash value will be established as of the last day of the premium month in which the application is submitted.

b. **Premiums Paid By Deduction From VA Benefits.** The last day of the premium month in which the application was submitted.

c. **Premiums Paid By Other Methods.** The last day of the premium month in which the application was submitted if premiums are paid through that date. When the application

is submitted within the grace period and there is insufficient dividend credit to pay the current premium, the policy will be surrendered as of the last day of the premium month prior to the month in which the request for surrender was submitted.

## 10.05 PREMIUMS PAID IN ADVANCE

All premiums paid in advance of the date established for the cash value will be refunded on the basis of their present value.

## 10.06 DATE DEDUCTIONS ARE CREDITED

All deductions taken from the cash value for payment of premiums, loan, etc., on another policy will be credited as of the date the request was submitted.

## 10.07 POLICIES SURRENDERED FOR CASH

a. The effective date of a surrender for cash will be the end of the premium month in which the application for surrender is delivered to VA or as of the date of the disbursement for the cash value, whichever is later.

b. A policy on extended term insurance may be surrendered for its cash value unless the policy lapsed prior to the end of the first policy year.

c. A policy surrendered for reduced paid-up insurance may be surrendered for its cash value.

d. Paid-up additional insurance, purchased with the termination value of a 5- Year level premium term policy under the NSLI or VSLI programs due to lapse or request, may be surrendered for the available cash value upon written request.

e. There is no waiting period before paid-up additions are eligible for cash surrender.

f. Policies surrendered for cash are not eligible for reinstatement.

g. When a life policy is surrendered for cash, the paid-up life additions may be retained if the insured so desires. When an endowment policy is surrendered for cash, the paid-up endowment additions must be surrendered also.

h. When a life policy is surrendered for cash and there are both paid-up additions on the policy and an outstanding loan, the ratio between the reserve on the paid-up additions and the reserve on the basic policy will determine the amount of loan balance on the paid-up additions after the surrender.

i. When paid-up additions only are surrendered for cash, the proceeds are payable in a lump sum.

j. When paid-up additions only are surrendered and the entire proceeds are applied to reduce the loan indebtedness on the basic policy, the loan interest will be calculated as of the postmark date of the application. If any portion of the proceeds is to be sent to

the insured, the accumulated interest on the loan repayment will be calculated as of the last date of the premium month in which the application is submitted.

## 10.08 INDEBTEDNESS RECOVERED ON CASH SURRENDER

The following types of indebtedness will be recovered from the reserve of a policy being surrendered for cash:

a. **Policy Loan.** Outstanding loan on the policy being surrendered.

b. **Premiums.** Premium lien or shortage on the policy being surrendered.

c. **Insurance Overpayment.** An overpayment lien on any of the insured's contracts will be deducted from the cash value. If the overpayment lien is on a policy other than the one being surrendered, the insured will be advised of the action taken. He will be told that if he objects to the action taken and returns the check representing the cash value of the surrendered policy, the transaction will be canceled and his policy will be restored to the same status it was in before the action was taken.

d. **Finance Indebtedness and Tax Levy.** Finance indebtedness (other debts to VA only) and tax levies will be deducted from the reserve of a policy surrendered for cash. The insured will be told that if they object to the action taken and returns the check representing the cash value of the surrendered policy (to include the finance indebtedness or tax levy) the transaction will be reversed and the policy will be restored to the same status it was in before the action was taken.

## 10.09 REFUND OF CREDITS

The following credit items will be refunded in a lump sum with the first disbursement:

a. Unpaid dividends.

b. Dividend credits and deposits.

c. Premium overages.

d. Unused premiums.

## 10.10 EFFECT OF SURRENDER

When a policy is surrendered for cash, all rights and privileges under the policy are also surrendered.

## 10.11 REQUIREMENTS

The following requirements must be met to surrender a policy for cash:

a. The application must be completed and signed by the person authorized to surrender the policy, and

b. The policy must have cash value.

## 10.12 APPLICATIONS

The following types of applications may be submitted to request a cash surrender:

a. VA Form 29-1546, Application for Cash Surrender Value and Policy Loan (Government Life Insurance), or

b. Any type of written request which clearly expresses the intent of the insured. When the intent is not clear and the insured expresses an urgent need for funds, the document may be accepted and processed as an informal loan application after a telephone contact is attempted and noted, and if all other requirements are met.

c. A faxed request should be treated the same as a hard copy, mailed to the office.

d. An electronically scanned document outlined in a, b, c, above, and appropriately signed, is also acceptable.

e. An email request is not acceptable.

***References:***

*Forms*

- VA Form 29-1546: Application for Cash Surrender

## 10.13 DISABILITY WAIVER

When an application for cash surrender pertains to a policy on which premiums are waived due to total disability, three attempts will be made to call the insured before disapproving the application. If the Veteran is incompetent, three attempts will be made to contact the guardian by phone. If the Veteran or guardian is reached, the benefits of a loan vs. cash surrender should be discussed. If unsuccessful in reaching the authorized person by telephone, a conservation letter explaining why the original application for cash surrender has been disapproved will be sent. VA Form 29-1546, Application for Cash Surrender Value and Policy Loan, will be enclosed. If the insured or guardian resubmits an application for cash surrender, or states by phone the they still wish to surrender the policy, the request will be referred to a Section Chief or the Division Chief, Policyholders Services Division, for consideration.

***References:***

*Forms*

- VA Form 29-1546: Application for Cash Surrender

## 10.14 LIMITED PAY POLICIES

a. When an informal application for cash surrender pertains to a limited payment life policy on which premiums are paid and earned to the end of the premium-paying period, the application will not be processed unless it is evident that the insured is fully aware of the pertinent facts regarding his or her action or has been advised of the advantages of retaining the insurance. This request will be forwarded to the Lead Insurance Specialist for review and consideration.

b. Formal applications for cash surrender, if in order, will be processed without delay. This includes applications on limited payment life policies on which premiums are paid and earned to the end of the premium-paying period.

## 10.15 LAPSED NSLI POLICY

An NSLI policy will be surrendered under extended term insurance whenever an application for cash surrender is mailed after the expiration of the 31-day grace period. When a policy is surrendered for cash under extended term insurance, the cash value will be established as of the last day of the premium month in which the request is submitted.

## 10.16 CORRECTION OF ACTION TAKEN BY VA

When a loan is granted in lieu of cash surrender and the insured reiterates his or her request for cash surrender within 31 days from the date of the VA Form 29-l468b, Notice of Approval of Policy Loan, the effective date of the cash surrender will be based on the original request, and the loan will be recovered with no interest charged.

## 10.17 PAYMENT OF CASH SURRENDER VALUE

a. A disbursement for the cash surrender value will be made payable to a competent insured only to the address or bank account given on the application or to the address or bank account given by an attorney-in-fact. If the insured is incompetent, the disbursement will be made payable to the insured, care-of the power of attorney, VA appointed fiduciary, or legal guardian, committee, etc. of the insured and a VA Form 29-504, Notice of Payment Due Incompetent Veteran, will be sent to the appropriate VA Regional Office. See 6.03 for additional information on payment threshold requirements before releasing funds to incompetent Veterans.

b. The cash surrender value will be paid in one sum (option 1). However, the cash surrender value may also be paid in equal monthly installments (36 to 240) in multiples of 12 (option 2) or in installments under the RLI (refund life income) (option 5). The insured may also select any combination of two options (cash and either one of the installment options). In addition, he or she may elect to have all or part of the cash value applied to pay premiums or reduce a lien or loan on any other active account(s). Applications received with no option selected will be paid under the cash option (option 1).

c. If payments are being made under option 2, the insured may request the present value of the remaining unpaid installments in one sum. If payments are being made under the RLI, the insured may request the present value of the remaining unpaid guaranteed installments in one sum.

d. If an RLI option is selected, payments will be made in monthly installments for such period certain as may be required in order that the sum of the installments certain, including a last installment of such reduced amount as may be necessary, shall equal the cash value of the contract, less any indebtedness, with such payments continuing throughout the lifetime of the insured. All settlements under RLI shall be calculated on the basis of the Annuity Table for 1949. The age of the insured (based on his or her date of birth) as of the date of surrender is used to determine the amount of the monthly installment for the refund life income option.

e. If the option selected requires monthly installments of less than $10, the amount payable shall be paid in such maximum number of monthly installments as are a multiple of 12 as will provide a monthly installment of not less than $10.

f. When a policy is surrendered for cash and the insured requests payment under option 5 (refund life income), the amount of any dividend accumulations, dividend credit and/or deposit, will be added to the reserve and any indebtedness will be deducted. The total amount used to purchase the annuity may not exceed the face amount of the surrendered policy. Any cash value in excess of the face amount will be paid in one sum.

***References:***

- M29-1, Part I, Chapter 6, Section 6.03: Refunds on Incompetency Cases

## 10.18 DISPOSITION OF UNPAID INSTALLMENTS AT DEATH OF INSURED

a. If the insured has elected to receive the proceeds of the cash surrender in equal monthly installments (option 2) or in installments under RLI (option 5), the insured may elect that upon his or her death, the present value of any remaining unpaid guaranteed installments be paid to his or her beneficiary in one sum or continue to be paid to the end of the guaranteed period under the original option.

b. If the insured dies before receiving all installments due and no designated beneficiary survives, the present value of the remaining installments will be paid to the insured's estate in one sum, provided such payment would not escheat.

c. If the designated beneficiary survives the insured, the present value of the remaining installments will be paid in one sum to the beneficiary unless the beneficiary has elected to continue the installment under the option selected by the insured.

## 10.19 CANCELLATION OF APPLICATION FOR CASH SURRENDER

a. If a request for cancellation of an application for cash surrender is received before the issuance of the surrender disbursement, the application will be disapproved. If the cancellation request is received before the date of the surrender disbursement (the issuance of which could not be halted), or before the end of the premium month in which the application was delivered to the VA, the insured will be allowed 15 calendar days to return the payment.

b. A cash surrender reversal action will occur automatically if the surrender check, Treasury check or direct deposit item is returned under one of the conditions listed below:

1. The request for cancellation is mailed within 15 calendar days from the date of the surrender disbursement and it appears that the insured was misled, or did not understand the surrender action.

2. The request for cancellation is mailed within 16 to 31 calendar days from the date of the surrender disbursement and the insured states that there was a misunderstanding. In addition, the insured must furnish an acceptable reason for the delay in writing to VA concerning the surrender action. If there was no misunderstanding or the insured submits no reason for the delay, he or she will be advised that the surrender is final and the surrender check will be returned to him or her.

3. A request for cancellation mailed more than 31 days after the date of the Treasury check or direct deposit item will ordinarily not be honored. However, this will not preclude favorable action in the unusual case in which the insured returns or offers to return the cash surrender proceeds, clearly explains a misunderstanding, and advances reasons beyond his or her control as the cause of the delay in submitting the request.

4. If, after being advised that the surrender action is final, the insured protests the decision, or if unusual circumstances in an otherwise unadjustable case seem to warrant further consideration; for example, a question of competence, the case should be briefed and forwarded for decision to the Assistant Director for Insurance Operations. In these cases, the cash surrender proceeds must be returned to the VA.

5. A cash surrender reversal action will be effected if it is established that the insured was incompetent at the time the surrender application was mailed. In these cases, the cash surrender proceeds must be returned to the VA.

6. A cash surrender reversal action will be effected whenever the cash surrender proceeds are returned because of death and before the end of the premium month in which the surrender was made effective, or within the 31-day grace period of the last due date.

## 10.20 AUTOMATIC SURRENDER

a. If the insured was notified 90 days prior to the date the policy will be terminated by automatic surrender, the policy will cease and become void the day the loan indebtedness equals or exceeds the policy reserve, on the parent policy and the paid-up additions, (if attached). Dividends on deposit are considered part of the policy reserve. Liens are not considered as part of the indebtedness for automatic surrender. A policy that is properly terminated for automatic surrender is not eligible for reinstatement.

b. When the approaching cancellation date is less than 90 days in the future, or has passed and the insured was not previously notified of the condition, the insured will be given 90 days from the date of notice to reduce the loan indebtedness below the cash value. When a dividend credit exists, the insured will be requested to give his or her permission to apply dividend credit against the indebtedness. If permission is not given and the policy is surrendered, the dividend credit balance will be refunded. If the insured, without making any payment to reduce the indebtedness, dies after the automatic surrender date but prior to the end of the 90-day period from the date of notice, the

insurance is considered in force on the date of death. The outstanding loan, with interest to the date of death, will be deducted from the settlement.

c. If notice to the insured is returned as undeliverable and efforts to obtain a current address fail, it will be considered that notice was given. Insurance protection will cease as of the date the loan indebtedness equals or exceeds the cash value.

## 10.21 POLICIES SURRENDERED FOR REDUCED PAID-UP INSURANCE

a. All permanent plan policies that have a cash value and are not paid-up by their terms may be surrendered for reduced paid-up insurance. A life policy (Modified Life, Ordinary Life, 20-Payment Life, 30-Payment Life) will be surrendered for reduced paid-up life insurance. An endowment policy (20-Year Endowment, 30-Year Endowment, Endowment at Age 60, Endowment at Age 62, Endowment at Age 65, Endowment at Age 96) will be surrendered for reduced paid-up endowment insurance. The reduced paid-up endowment insurance will mature on the date the parent policy would have matured.

b. Policies surrendered for reduced paid-up insurance are not eligible for reinstatement.

## 10.22 TIMELY APPLICATIONS

An application for reduced paid-up NSLI will be disapproved if it is submitted while the policy is in a state of lapse and there are no credits available to pay the unpaid premium(s).

## 10.23 REDUCED PAID-UP INSURANCE

a. When a policy is surrendered for reduced paid-up insurance, the amount of paid-up insurance is that amount that the net cash value will purchase when applied as a net single premium at the insured's attained age. The attained age is the age on the birthday anniversary nearest to the effective date of the policy plus the number of years and months from that date to the date the paid-up insurance becomes effective.

b. When an insured requests that his insurance be surrendered for a specified amount of paid-up insurance and payment in cash of the remaining reserve, such requests will be honored. An insured may also request that his insurance be surrendered with a certain amount of reserve paid in cash and the balance used to purchase paid-up insurance.

c. Any existing premium credits will be refunded unless the credit is less than $1 or is needed to prevent lapse of another policy.

d. While dividends on deposit may be used with the reserve to purchase reduced paid-up insurance, the amount of reduced paid-up insurance may not exceed the face amount of the parent policy.

e. A new policy is not issued when a surrender for paid-up insurance is processed. Instead, a VA Form 29-1546a, Notice-Surrender for Paid-Up Insurance Approved, showing the amount of paid-up insurance, will be furnished.

f. When surrendering a policy for reduced paid-up insurance, the insured must first be told the amount of paid-up insurance he will receive. If dividends on deposit are involved,

the letter will also explain that the dividends will be applied to purchase additional paid-up insurance unless a refund is requested within 15 days.

g. If the parent policy earned dividends the reduced paid-up policy will also earn them. Also, all reduced paid-up policies have cash and loan values.

h. If reduced paid-up insurance is purchased by the surrender of a Modified Life policy, the policy plan must be changed to Reduced Modified Life at Age 65 or Reduced Modified Life at Age 70 when the insured reaches the age at which his Modified Life policy would have been reduced. The face amount of the reduced paid-up insurance, however, is not subject to further reduction.

## 10.24 INDEBTEDNESS RECOVERED ON SURRENDER FOR REDUCED PAID-UP INSURANCE

a. The following types of indebtedness will be recovered from the reserve of a policy being surrendered for reduced paid-up insurance:

    1. Policy Loan. Outstanding loan on the policy being surrendered.

    2. Premiums. Premium lien or shortage on the policy being surrendered.

    3. Insurance Overpayment. Overpayment lien on the policy being surrendered for reduced paid-up insurance except that a lien that resulted from overpayment of an accelerated dividend will not be deducted from the reserve.

b. When a policy is surrendered for reduced paid-up insurance and there are both paid-up additions on the policy and an outstanding loan, the ratio between the reserve on the paid-up additions and the reserve on the surrendered basic policy will determine the amount of loan that will be collected from the surrendered basic policy and the amount of loan balance on the paid-up additions after the surrender.

## 10.25 USE OF CREDITS

While dividends held on deposit become part of the reserve of cash value when a policy is surrendered for reduced paid-up insurance, other credits may not be used to purchase a larger amount of reduced paid-up insurance.

## 10.26 EFFECTIVE DATE OF SURRENDER FOR REDUCED PAID-UP INSURANCE

The effective date of reduced paid-up insurance will be the premium due date following the last premium month on which the cash value is established.

## 10.27 APPLICATIONS FOR SURRENDER FOR REDUCED PM-UP INSURANCE

Application for reduced paid-up insurance may be made on:

a. VA Form 29-1546, Application For Cash Surrender Value/Policy Loan Value, or

b. Any type of document which clearly expresses the intent of the insured.

***References:***

*Forms*

- VA Form 29-1546: Application for Cash Surrender

## 10.28 WITHDRAWAL OF APPLICATION FOR REDUCED PAID-UP INSURANCE

a. When the VA Form 29-1546a, Notice-Surrender for Paid-Up Insurance Approved, is returned by the insured, if competent, or by the fiduciary, power of attorney, or legal guardian, custodian, committee, if the insured is incompetent, advising that the surrender is not desired, and the postmark date of the request is before the expiration of the period premiums have been paid for and earned, the surrender will be canceled.

b. In all other instances where the insured expresses dissatisfaction with the surrender for paid-up insurance, the insured's request will be forwarded to the Assistant Director for Insurance Operations for review and decision.

c. When it is determined that the insurance may not be restored, the insured will be advised that the surrender was granted in accordance with his request and cannot be canceled. The same time period limitations for restoration of insurance apply as for cash surrender under 10.19.

***References:***

- M29-1, Part I, Chapter 10, Section 10.19: Cancellation of Application for Cash Surrender

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**Publication Date:** May 20, 2019

### 11.01 NOTICE OF MATURING ENDOWMENT POLICY

All policies that mature as endowments, including contracts that mature with pure endowment payable, will be paid under option 1, without prior election of such option by the insured. Four days prior to the maturity date, either a VA Form 29-8348, Information About Your Insurance (if the amount payable is $2,500 or less) or a VA Form 29-5767, Maturing Endowment Notification (if the amount payable is $2,500 or more), will be sent to the insured. It informs him or her of the maturity of the policy, the type of insurance that is maturing and that a payment for the matured contract will be sent. If the amount payable is $2,500 or more, it will also advise that if he or she is not satisfied with the method of payment and wishes to receive the proceeds under one of the available installment options, he or she should return the payment to VA and either indicate the installment option requested on the 29-5767 or any correspondence.

## 11.02 SETTLEMENT OF PROCEEDS OF A MATURED ENDOWMENT POLICY

a. When insurance issued on the endowment plan is in force at the end of the endowment period, settlement is due the insured on the first day following the end of the endowment period. The policy must meet one of the following requirements:

   1. All premiums must be paid or waived to the end of the endowment period. If the last monthly premium was not paid or waived, the premium will be deducted from the proceeds of the policy.

   2. On lapsed policies, the net cash value (plus dividends on deposit, if any) must have been sufficient to purchase extended term insurance to the end of the endowment period and pure endowment.

   3. On policies surrendered for reduced paid-up insurance, the policy must have remained in force as paid-up insurance to the end of the endowment period.

b. When a policy matures as an endowment, the settlement of the proceeds may be affected by the insured if competent. If the insured is incompetent, settlement can be affected by the power of attorney, legal guardian or federal fiduciary. If no such agent is in effect, VA will request appointment of a fiduciary through the Regional Office by use of VA Form 29-505, Request for Information.

   1. If there is evidence that a power of attorney or legal guardian has been appointed but VA Form 27-555 or VA systems (less than 6 months old) show that an individual other than that guardian has been appointed federal fiduciary, payment will be made to the fiduciary. If VA Form 27-555 or VA systems records are more than 6 months old, verification through the Regional Office is required.

c. While the default payment option for matured endowments is lump sum (option 1), the insured may also elect to be paid in equal monthly installments (36 to 240) in multiples of 12 (option 2), or in installments under the RLI (refund life income) option (option 5). The RLI became effective January l, 1971, and was authorized by Public Law 91-291. The insured may also select a combination of part in cash and the balance under one of the installment options. In addition, he or she may elect to have all or any part of the proceeds applied to pay premiums or reduce a lien or loan on any other active account.

d. If payments are being made under option 2, the insured may request the present value of the remaining unpaid installments in one sum. If payments are being made under the RLI, the insured may request the present value of the remaining unpaid guaranteed installments in one sum.

e. If the insured does not indicate how he or she wishes the proceeds paid, they will be paid in one sum.

f. If an RLI option is selected, payments will be made in monthly installments for such periods certain as may be required in order that the sum of the installments certain, including a last installment of such reduced amount as may be necessary, shall equal the proceeds of the matured endowment with such payments continuing throughout the lifetime of the insured. All settlements under the RLI shall be calculated on the basis of the Annuity Table for 1949. The age of the insured (based on his or her date of birth) as of the maturity date of the policy is used to determine the amount of the monthly installment for the RLI option.

g. If the option selected requires monthly installments of less than $10, the amount payable shall be paid in such maximum number of monthly installments as are a multiple of 12 as will provide a monthly installment of not less than $10.

h. When a matured endowment is to be paid under option 5 (refund life income), dividend accumulations, dividend credit and/or deposit, will not be included as part of the proceeds of the policy used to purchase the annuity. Any dividend accumulations will be paid in one sum.

i. Paid-up endowment additions mature concurrently with the basic policy and will be paid under the same settlement option.

j. When an endowment policy matures with paid-up endowment additions and paid-up life additions, and there is an outstanding loan, the loan `will be paid from the proceeds of the maturing endowments.

## 11.03 MATURITY OF ENDOWMENT POLICY ON DISABILITY WAIVER

If a TDIP award is granted before the maturity of a policy, the benefit payments will continue for as long as the insured remains totally disabled, irrespective of the fact that the policy matures as an endowment.

## 11.04 TYPES OF APPLICATIONS WHICH MAY BE USED FOR SETTLEMENT OF THE PROCEEDS

No application is required for settlement of matured endowment proceeds. However, if the insured desires to elect other than lump sum (Option 1), they should submit this request either on VA Form 29-5767 or any type of document which clearly expresses their intent.

## 11.05 NET AMOUNT OF PROCEEDS FOR INSTALLMENT SETTLEMENT

a. When all premiums are paid to the maturity date, the amount of the monthly installment will be based on the face value of the policy, less any of the following:

    1. Outstanding loans, loan interest

    2. Statutory lien and lien interest (required by law)

    3. Premiums due VA.

    4. Total disability overpayment.

    5. Administrative lien and interest (due to administrative error)

    6. Other indebtedness, including finance and service department indebtedness.

b. An Internal Revenue Service levy may be deducted from any amount payable, but only for indebtedness of the person to whom such proceeds are payable.

**NOTE:** The express language of the VA statute (38 USC 5301) provides that an insured cannot have a VA insurance loan, cash surrender, matured endowment, or dividend payment seized unless the insured otherwise has a debt from participation in a benefits program administered under title 38. Beneficiaries are additionally subject to title 26 IRS tax laws upon receipt of insurance proceeds—if they have a debt with the IRS then 38 USC 5301(d) permits the IRS to take the debt from the insurance proceeds.

c. If the parent policy was surrendered for reduced paid-up endowment insurance, the monthly installments will be based on the amount of paid-up insurance less indebtedness. If the parent policy lapsed and the cash value was used to purchase extended term insurance and pure endowment, the amount of the monthly installments will be based on the amount of pure endowment. The amount of pure endowment, if less than full dollars, will be rounded to the next higher dollar.

***References:***

- 38 U.S.C. 5301: Nonassignability and Exempt Status of Benefits

## 11.06 CREDIT ITEMS INCLUDED WITH NET AMOUNT PAYABLE

The following credit items will be included in the net amount payable as a part of the initial payment:

a. Unpaid dividends, including dividends for the current year.

b. Dividend credits and deposits.

c. Premium overages and unused premiums.

## 11.07 ISSUANCE OF PAYMENT FOR PROCEEDS OF A MATURED ENDOWMENT

The payment for the proceeds of a matured endowment policy will be made payable to the insured, if competent, at the address of record.

a. If the insured is incompetent:

   1. And has a fiduciary appointed, the payment will be made to the fiduciary.

   2. And is on Supervised Direct Pay, the procedure listed under a will be followed.

   3. And has a legal guardian or power of attorney, but a fiduciary has not been appointed, payment will be made to the guardian or power of attorney.

   4. And no legal guardian, power of attorney, or fiduciary is in place, VA will request appointment of a fiduciary through the Regional Office, using VA Form 29-505, Request for Information.

## 11.08 DISPOSITION OF UNPAID INSTALLMENTS AT DEATH OF INSURED

a. If the insured dies before receiving all installments due and no designated beneficiary survives, the present value of the remaining unpaid installments will be paid to the insured's estate in one sum, provided such payment would not escheat.

b. If the designated beneficiary survives the insured, the present value of the remaining installments will be paid in one sum to the beneficiary unless the insured or the beneficiary has elected to continue the installments under the option selected by the insured.

## 11.09 DO NOT MATURE BASED ON AGE

The policy of not maturing policies based on age, otherwise known as "Do Not Mature" (DNM) does not apply to endowment policies. DNM allows an insured who has reached the maximum actuarial age for their insurance contract (96, 100, or 101) to request that VA maintain the policy until their death or a later request for proceeds. The process for handling DNM policies is detailed in VA Systems training guides.

## 11.10 DELAYED PAYMENT OF ENDOWMENT PROCEEDS

When the insured, if competent, requests VA to withhold payment of the proceeds of a matured endowment policy, he or she will be notified by letter that VA will withhold payment of the proceeds for up to one year, and that the proceeds will not accrue interest during the withholding period.

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**Publication Date:** August 23, 1974

## 12.01 CHANGE OF ADDRESS

a. A notification of change of address which is unsigned or which is signed by a third party will be accepted for insurance purposes.

b. Telephonic requests for change of address may be accepted for insurance purposes. The following rules apply to such requests:

   (1) The caller will be asked where the insurance records are located.

   (2) The VA employee receiving the call will complete VA Form 29-889 or VA Form 29-5934, Change of Address for Insurance Purposes.

   (3) The employee must exercise good judgment and a certain amount of caution before completing VA Form 29-889 or VA Form 29-5934. If the insured or someone acting for him or her is calling, the person should be able to furnish the policy number. If the beneficiary of an insurance claim is calling, he or she should be able to furnish the file number.

   (4) If the employee is not satisfied that the request is authentic, he or she should instruct the caller to submit [the] request in writing.

c. As a rule, VA Form 29-5934 is enclosed with all clerically prepared forms, form letters, and dictated letters forwarded to in service policyholders. The social security number of the insured is included in his or her in service address. No reference will be made to the VA Form 29-5934 as an enclosure.

d. When a change of address is received and the insured requests it be processed at a future date (not more than 120 days), the input (VA Form 29-5934) will be held [in a designated area] until the time for processing.

***References:***

*User Guides*

- Name and Address Guide in LifePro

## 12.02 RECOGNITION OF REPRESENTATIVES OF ORGANIZATIONS AND OTHERS

a. By virtue of authority contained in title 38, United States Code, the organizations listed below have been granted recognition in the presentation of claims under the statutes administered by the VA:

**(1) National Service Organizations listed in Title 38, United States Code, Section 3402, or Chartered by Congress:**

| | |
|---|---|
| American Legion | Indianapolis, Indiana 46206 |
| American National Red Cross | Washington, D.C. 20006 |
| AMVETS | Washington, D.C. 20036 |
| Blinded Veterans Association | Washington, D.C. 20037 |
| Congressional Medal of Honor Society of the U.S.A | Braintree, Massachusetts 02184 |
| Disabled American Veterans | Cincinnati, Ohio 45214 |
| Legion of Valor of the United States of America, Inc | Arlington, Virginia 22204 |
| Marine Corps League | Arlington, Virginia 22201 |
| Military Order of the Purple Heart | Washington, D.C. 20013 |
| Paralyzed Veterans of America, Inc | Washington, D.C. 20420 |
| United Spanish War Veterans | Washington, D.C. 20420 |
| Veterans of Foreign Wars of the United States | Kansas City, Missouri 64111 |
| Veterans of World War I of the U.S.A. Inc | Alexandria, Virginia 22314 |

**(2) Other National Service Organizations Recognized by the VA:**

| | |
|---|---|
| American Veterans Committee | Washington, D.C. 20036 |
| Army and Navy Union, U.S.A | Lakemore, Ohio 44250 |
| Army Mutual Aid Association | Arlington, Virginia 22211 |
| Catholic War Veterans of the U.S.A | Washington, D.C. 20001 |
| Coast Guard League | Washington, D.C. 20591 |
| Disabled Officers Association | Washington, D.C. 20006 |
| Fleet Reserve Association | Washington, D.C. 20036 |

| | |
|---|---|
| Jewish War Veterans of the United States | Washington, D.C. 20009 |
| Military Order of the World Wars | Washington, D.C. 20006 |
| National Jewish Welfare Board | New York, New York 10010 |
| National Tribune | Washington, D.C. 20013 |
| Navy Mutual Aid Association | Washington, D.C. 20370 |
| Regular Veterans Association | Washington, D.C. 20015 |
| United Indian War Veterans, U.S.A | San Francisco, California 94103 |

**(3) State Organizations Recognized by VA:**

| | |
|---|---|
| Alabama-Department of Veterans Affairs | Montgomery, Alabama 36102 |
| Alaska-Division of Veterans Affairs | Juneau, Alaska 99811 |
| American Samoa-Veterans Affairs Office | Pago Pago, American Samoa 96920 |
| Arizona-Department of Economic Security | Phoenix, Arizona 85007 |
| Arkansas-Veterans Service Office | Little Rock, Arkansas 72201 |
| California Department of Veterans Affairs | Sacramento, California 95807 |
| Colorado-Department of Social Services | Denver, Colorado 80203 |
| Connecticut-Soldiers, Sailors, and Marine Fund | Hartford, Connecticut 06115 |
| District of Columbia-Office of Veterans' Affairs | Washington, D.C. 20004 |
| Florida-Division of Veterans Affairs | St. Petersburg, Florida 33731 |
| Georgia-Department of Veterans Service | Atlanta, Georgia 30334 |
| Guam-Office of Veterans Affairs | Agana, Guam 96910 |
| Hawaii Department of Social Services | Honolulu, Hawaii 96809 |
| Idaho-Division of Veterans Services | Boise, Idaho 83707 |
| Illinois-Department of Veterans Affairs | Springfield, Illinois 62705 |
| Kansas-Veterans Commission | Topeka, Kansas 66612 |
| Kentucky-Center for Veterans Affairs | Louisville, Kentucky 40203 |

| | |
|---|---|
| Louisiana Department of Veterans Affairs | Baton Rouge, Louisiana 70801 |
| Maine-Bureau of Veterans' Services | Augusta, Maine 04330 |
| Maryland-Veterans' Service Commission | Baltimore, Maryland 21201 |
| Massachusetts-Office of Commissioner of Veterans' Services | Boston, Massachusetts 02202 |
| Minnesota-Department of Veterans Affairs | St. Paul, Minnesota 55101 |
| Mississippi-Veterans Affairs Commission | Jackson, Mississippi 39205 |
| Missouri-Division of Veterans Affairs | Jefferson City, Missouri 65101 |
| Montana-Veterans Affairs Division | Helena, Montana 59601 |
| Nebraska-Department of Veterans' Affairs | Lincoln, Nebraska 65809 |
| Nevada-Commission for Veterans Affairs | Reno, Nevada 89502 |
| New Hampshire-State Veterans Council | Concord, New Hampshire 03306 |
| New Jersey-Division of Veterans' Service | Trenton, New Jersey 08625 |
| New Mexico-Veterans' Service Commission | Santa Fe, New Mexico 87501 |
| New York-Division of Veterans Affairs | New York, New York 10047 |
| North Carolina-Division of Veterans Affairs | Raleigh, North Carolina 27601 |
| North Dakota-Department of Veterans Affairs | Fargo, North Dakota 58102 |
| Ohio-Division of Soldiers' Claims and Veterans' Affairs | Columbus, Ohio 43215 |
| Oklahoma-Department of Veterans Affairs | Oklahoma City, Oklahoma 73105 |
| Oregon-Department of Veterans Affairs | Salem, Oregon 97310 |
| Pennsylvania-Department of Military Affairs | Harrisburg, Pennsylvania 17108 |
| Puerto Rico-Department of Labor, Veterans Office | Hato Rey, Puerto Rico 00917 |
| Rhode Island-Veterans Affairs | Providence, Rhode Island 02903 |
| South Carolina-Department of Veterans Affairs | Columbia, South Carolina 29201 |
| South Dakota-Division of Veterans Affairs | Pierre, South Dakota 57501 |
| Tennessee-Department of Veterans' Affairs | Nashville, Tennessee 37203 |

| | |
|---|---|
| Texas-Veterans Affairs Commission | Austin, Texas 78711 |
| Utah-Office of Veterans Services | Salt Lake City, Utah 84111 |
| Vermont-Veterans Affairs Section, Military Department | Montpelier, Vermont 05602 |
| Virginia-Division of War Veterans' Claims | Roanoke, Virginia 24011 |
| Virgin Islands-Department of Veterans Affairs | Christiansted, St. Croix, Virgin Islands 00820 |
| Washington-Department of Veterans Services | Olympia, Washington 98501 |
| West Virginia-Department of Veterans Affairs | Charleston, West Virginia 25305 |
| Wisconsin-Department of Veterans Affairs | Madison, Wisconsin 53702 |

b. Correspondence relative to the recognition of any organization should be addressed to the General Counsel, Central Office.

c. VA Regulation 525 provides that an authorized representative of the insured or the beneficiary after maturity of the insurance by death of the insured shall, if holding a valid power of attorney, be permitted to inspect the file for the purpose of assisting the insured or beneficiary in perfecting a claim for any benefit under the policy.

d. The necessity of requiring representatives of service organizations holding powers of attorney to submit VA Form 29A337, Authorization for Release of Information from Insurance Records, for information from insurance records is eliminated. Representatives recognized by the VA and holding a power of attorney VA Form 23-22 Appointment of Service Organization as Claimant's Representative from the insured are entitled to receive information from insurance records which the insured is entitled to receive even though there is no claim for insurance benefits involved. The representative receiving the information will be permitted to inspect the file.

e. When there is no record of a power of attorney in the insurance file and the claims folder is in another office, a copy of the power of attorney from the insured in favor of the service organization involved, will be requested by the Chief, Insurance Operations Division for the insurance records. The request should be made over the FTS (Federal Telecommunications System) or by teletype.

f. The [Chiefs of the Insurance Operations Divisions] at the two [VA] centers are [not] authorized to release premium status to representatives of service organizations when there is no power of attorney or authorization from the insured. If there is an unrevoked power of attorney, no person or organization other than the one named in the power of attorney will be given information from the file.

g. VA Regulation 525(B) (2) authorizes the release of insurance information to third persons when a specific authority is received from the insured, or, after maturity of the insurance by death of insured, by the beneficiary. This regulation also covers cases in which there is no claim involved and the information released is such that the insured or beneficiary would be entitled to receive. VA Form 29A337 will continue to be used for this purpose. However, letters from the insured and various forms in use by veterans' service

organizations and insurance representatives, which are clear as to intent and are signed by the insured, are acceptable in lieu of VA Form 29A337.

h. If it is clear from the correspondence received from an attorney, trust officer, or insurance agent that he or she is representing the insured, all necessary transactions in connection with the insurance may be accomplished through that person as a matter of courtesy, even though a power of attorney or VA Form 29A337 is not of record. A copy of VA correspondence to the third party will be sent to the insured for his or her information. If there is any question as to whether or not the third party is actually representing the insured, a VA Form 29A337 will be requested. In any event, to be acceptable documents such as change of beneficiary, application for insurance, reinstatement, conversion, etc., must be over the signature of the insured.

***References:***

- 38 U.S.C.: Veterans' Benefits

## 12.03 RETIRED RECORDS

a. To facilitate processing requests for folders, the request should indicate the office previously maintaining the records. When VA Form 07-7575, Request for Retired Records or Information, is used, the letters S (St. Paul), D (Denver), or DA (Dallas), should be entered to the right of the file number in block 20.

**NOTE**: Folders will not be requested as they have been destroyed.

b. All V, H, RH and RS folders retired by the St. Paul and Denver [VA centers] are maintained in separate groups at the following address:

Federal (Archives and] Records Center
General Services Administration
2306 East Bannister Road
Kansas City, Missouri 64131

c. All T, K, V, H, RH and RS folders retired by the Philadelphia (VA center] are located at the following address:

Federal (Archives and] Records Center
General Services Administration
5000 Wissahickon Avenue
Philadelphia, Pennsylvania (19144]

d. All VA Forms 9-361, Premium Record Card, for insurance accounts are located at the following address:

Veterans Administration
Records Processing Center (RPC)
P.O. Box 172
St. Louis, Missouri 63166

## 12.04 RETURNED MAIL

a. All returned mall will be associated with the insurance folder and a VA Form 29-5886(b, Insurance] Record Printout, in an effort to obtain a better address. If a better address is not obtained from these sources, remail the material with VA Form 29-8395, Change of Address for Insurance Purposes, with a return envelope. Material pertaining to deductions from service pay and 38 U.S.C. 724 accounts will not be remailed.

b. If mail is returned for a second time, the folder and an RPO will be reviewed for a better address. If none is located, the returned mall indicator on the master record will be turned on. Every effort will be made to obtain the address of the policyholder by preparation and release of FL 20 to the postmaster at the last known address, FL 29-16 to a third party, FL 29-16a to the bank on which the latest check was drawn, VA Form 29-5982, Request for Address Information, or other appropriate request.

c. When a VA FL 29-5 (advising of eligibility for RH insurance) is returned to the VA unclaimed, a teletype requesting a better address will be released to the regional office which furnished the disability rating. In addition, the carbon copy will be attached to the original. If the regional office has no better address, the returned VA FL 29-5 will be filed in the insurance folder and the carbon copy destroyed. If a folder has not been established, the returned letter will be disposed of in accordance with Records Control Schedule VB-I.

***References:***

*User Guides*

- Name and Address Guide in LifePro

## 12.05 INSURANCE INFORMATION SYSTEM

a. Arrangements have been made whereby VA Veterans Assistance personnel or accredited representatives of recognized veterans service organizations may make inquiries by telephone directly to the Insurance Special Service Clerks at the Philadelphia and St. Paul VA centers on all matters pertaining to Government life insurance, including individual contracts.

b. The following telephone numbers will be used for this purpose:

| | Philadelphia Center | St. Paul Center |
|---|---|---|
| Area Code | 215- | 612- |
| Area Office or exchange | [951] | 725- |
| Extension | 5412-5413 | 4311 |
| | 5415-5416 | |

c. Prior to placing the call, the person requesting the information will ascertain which center maintains the insurance records and the policyholder's insurance file number. The lack of adequate identification may delay responses. When placing the call, the caller will identify himself or herself, state for whom the call is being made and provide the full name of the policyholder and the file number of the insurance account. Any other pertinent information that will aid in servicing the call will be provided. If the caller is other than a VA employee, [the caller] will give assurance that he or she or his or her organization holds the policyholder's power of attorney. If there is no record of a power of attorney in the insurance file and the claims folder is in another office, the [Chiefs of the Insurance Operations Divisions] at the two [VA] centers, depending upon the information requested and the circumstances of the particular case, will determine the necessity of verifying that the service organization involved has a power of attorney from the insured, or in premium status cases, whether there is an unrevoked power of attorney of record in the claims folder. All verifications of the records in the claims folders in another regional office should be made over the FTS or by teletype. Information as to premium status may be released to representatives of service organizations not holding power of attorney when release of such information is justified to prevent lapse.

d. It may be possible to answer questions immediately. However, in most cases a record printout and/or insurance folder will be required in order to furnish complete information. In these cases the name and telephone number of the person calling will be taken and as soon as the records are available, the call will be returned. Normally a reply may be expected before noon the following day.

e. Beneficiary designations on living cases will be provided by telephone only to VA personnel after the veteran requesting the information has properly identified himself or herself as being the insured. In all other cases, the caller will be advised that the beneficiary information will be furnished the insured by letter. This information is not confidential in death cases and will be furnished, if available, on telephone inquiries.

f. When furnishing information about an individual contract, an account of the call and the information furnished will be recorded. This may be entered on the RPO, if one is obtained, or on VA Form 119, Report of Contact. The VA Form 119 or RPO will be filed in the insurance folder. Written confirmation will be furnished only when it is specifically requested or the information being furnished is complicated, in that it involves a large number or series of dates, amounts, etc., and it is believed by the person furnishing the information that it should be presented in writing.

g. Inquiries concerning SGLI (Servicemen's Group Life Insurance) claims and beneficiary information will be addressed to the Office of Servicemen's Group Life Insurance, 212 Washington Street, Newark, NJ 07102. Other questions pertaining to VA supervision of SGLI may be submitted directly to the Chief, Insurance Program Management Division (290), VA Center, Philadelphia, at the following numbers: Area Code 215, Exchange [951], Extension [5715] or [5716].

## SUBCHAPTER 2. VETERANS MORTGAGE LIFE INSURANCE

### 12.06 GENERAL

a. This insurance was effective for the first time on August 11, 1971, and was authorized by Public Law 92-95. It is available to veterans who have received grants from the VA for the purchase, remodeling or construction of specially adapted housing under 38 U.S.C. Chapter 21, who have a mortgage on such housing, and who have not reached age 70.

b. The law authorized the Administrator of Veterans Affairs to purchase from one or more life insurance companies a policy or policies of mortgage protection life insurance on a group basis to provide the benefits of the law. The Bankers Life Insurance Company of Nebraska was selected to be the insurer. The home office of the company is in Lincoln, Nebraska.

c. This insurance program is under the supervision of the VA. The VA Center, St. Paul, was selected to notify eligible veterans about the insurance, process replies and maintain liaison with the Hines DPC (Data Processing Center) and the Bankers Life Insurance Company of Nebraska.

d. The insurance issued under this program cannot be assigned.

e. To be eligible for VMLI the veteran must:

(1) Have received a housing grant under 38 U.S.C. Chapter 21;

(2) Be obligated for a mortgage loan on the housing unit;

(3) Reside or will soon reside in a mortgaged housing unit; and .

(4) Not have reached his or her 70th birthday.

***References:***

- 38 U.S.C. Chapter 21: Specially Adapted Housing for Disabled Veterans

## 12.07 EFFECTIVE DATE OF PROTECTION

a. If a grant was approved prior to August 11, 1971, and the eligible veteran was obligated for a mortgage loan on that date, the insurance was effective on August 11, 1971, and any such veteran was automatically insured unless he or she elected in writing not to be insured, or failed to respond within 60 days after the date a final request was made or mailed to him or her for information on which the premium could be based.

b. If a grant is approved on or after August 11, 1971, the insurance will be effective on the date the grant is approved, if on that date the eligible veteran is obligated under a mortgage loan, and such veteran is automatically insured unless he or she elects in writing not to be insured, or fails to respond within 60 days after the date a final request is made or mailed to him or her for information on which (the] premium can be based.

c. If a veteran would have been eligible for insurance on August 11, 1971, or on the date of approval of a grant after August 11, 1971, but such insurance did not become effective because he or she was not obligated under a mortgage loan on that date, or because he or she elected in writing not to be insured, or failed to timely respond to a request for

information on which the premium could be based, or for any other reason, the insurance will be effective on a date agreed upon by the veteran and the VA, but only if he or she files an application in writing with the VA, submits evidence that he or she meets the health requirements of the VA together with information on which the premium can be based and is or becomes obligated under a mortgage loan upon the date agreed upon as the effective date of insurance.

d. When an eligible veteran disposes of the title to a housing unit purchased, constructed or remodeled, in part, with a grant or a subsequently acquired housing unit, and becomes obligated under a mortgage loan on another housing unit occupied or to be occupied by him or her the insurance will be effective on a date requested by the veteran and agreed to by the VA, but only if the eligible veteran files an application for and is entitled to the insurance; submits evidence that he or she meets the health requirements of the VA; furnishes information on which the premium can be based and is obligated under a mortgage loan on the date the insurance is to become effective.

e. When a veteran insured under this program refinances the mortgage loan to avoid a default, to consolidate liens, to renew or extend the time for payment of the indebtedness, and in cases in which the housing unit is being bought, built, remodeled or enlarged by increasing the amount of such an indebtedness, any increase in the amount of insurance or any change in the rate of reduction of the insurance will be effective on a date requested by the veteran and agreed to by the VA, but only if he or she files an application, furnishes the information on which [the] premium can be based and in case of an increase in the amount of insurance, that he or she is entitled thereto, and submits evidence that he or she meets the health requirements of the VA.

f. All insurance will begin immediately after midnight on the applicable effective date and end immediately before midnight on the applicable termination date.

## 12.08 AUTOMATIC INSURANCE

a. This personal life insurance shall automatically insure the lives of the following:

   (1) Any eligible veteran whose grant was approved and fully disbursed prior to August 11, 1971 and who, on that date, was obligated under a mortgage loan secured by a lien on the housing unit purchased, constructed, or remodeled in part with the grant.

   (2) Any eligible veteran whose grant was approved prior to August 11, 1971, but was not fully disbursed until on or after the date and who on that date or the date the grant was Fully disbursed, was obligated under a mortgage loan secured by a lien on the housing unit purchased, constructed, or remodeled in part with the grant.

   (3) Any eligible veteran whose grant was approved and fully disbursed on or after August 11, 1971 and who on the date the grant was approved or on the date the grant was fully disbursed, was obligated on a mortgage loan on the housing unit purchased, constructed, or remodeled in part with the grant.

b. However, an eligible veteran will not be automatically insured if:

   (1) He or she elects in writing not to be insured, or

(2) Fails to respond within 60 days after the date a final request is made or mailed to him or her for information on which the premium can be based.

## 12.09 PREMIUMS

a. The premium rates are based on the 1958 basic CSO (Commissioners Standard Ordinary) table of mortality at 4-314 percent interest for standard lives. The United States Government bears the cost of the insurance except for the premiums paid by the insured veterans.

b. The premium due date for all policies is the 11th of the month.

c. When the insurance is made effective on a day other than the 11th, a full monthly premium must be paid for any portion of a month.

d. Premiums that are deducted from compensation payable by the VA are payable monthly.

e. An insured veteran, not receiving compensation payments from the VA, must pay the premiums directly to the Bankers Life Insurance Company of Nebraska in any mode acceptable to the company.

f. A grace period of 31 days from the premium due date will be allowed for the payment of any premium except the first premium. During the grace period the insurance on the life of the insured will continue in force. If the premium is not paid before the expiration of the grace period, the insurance will automatically be discontinued at the end of the grace period.

## 12.10 MAXIMUM AMOUNT OF INSURANCE

The maximum amount of insurance in force at any one time shall not exceed the lesser of the following amounts:

a. $200,000

b. The reduced lifetime maximum amount of insurance available to an eligible veteran (see par. 12.11).

c. When the grant was approved and fully disbursed prior to August 11, 1971, the amount of the unpaid principal of the mortgage loan outstanding on August 11, 1971, on a housing unit then owned and occupied by the eligible veteran.

d. When the housing grant was approved prior to August 11, 1971, but had not been Fully disbursed as of that date, the amount of the unpaid principal of the mortgage loan outstanding on that date on a housing unit then owned and occupied by the eligible veteran, or on a housing unit then in process of construction or remodeling for him or her. Such initial amount of insurance may be adjusted upward, subject to the maximum amount of insurance available to the eligible veteran, or downward, depending upon the amount of the mortgage loans outstanding on the date of full disbursement of the grant, or on the date of the final settlement of the purchase, construction, or remodeling agreement, whichever date is the later date.

e. When the grant is approved on or after August 11, 1971, the amount of the unpaid principal of the mortgage loan outstanding on the date of approval of the grant on a housing unit then owned and occupied by the eligible veteran, or on a housing unit being or to be constructed or remodeled for him or her. Such initial amount of insurance may be adjusted upward, subject to the maximum amount of insurance available to the eligible veteran, or downward, depending upon the amount of the mortgage loans outstanding on the date of full disbursement of the grant, or on the date of final settlement of the purchase, construction, or remodeling agreement, whichever date is the later date.

f. When an eligible veteran ceases to own the housing unit purchased in part with a grant, or a second housing unit that was acquired at a later date and which was subject to a mortgage loan that resulted in his or her life being insured under this program and he or she becomes obligated under a mortgage loan on another housing unit occupied or to be occupied by him or her, the amount of the unpaid principal outstanding on the mortgage loan on the newly acquired housing unit on the date insurance under this program is placed in effect.

g. When an eligible veteran incurs or refinances a mortgage loan, the amount of the incurred or refinanced mortgage loan.

h. When the title to a housing unit is or will be vested in an eligible veteran and his or her spouse, the amount of insurance shall not exceed the principal amount of the outstanding mortgage loans. If title to an undivided interest in a housing unit is or will be vested in a person other than the spouse of an eligible veteran, the amount of insurance on the eligible veteran's life shall be computed to be such part of the total of the unpaid principal of the loan outstanding on the housing unit as is proportionate to the undivided interest of the veteran in the entire property.

***References:***

- M29-1, Part I, Chapter 12, Section 12.11: Lifetime Maximum Amount of Insurance

## 12.11 LIFETIME MAXIMUM AMOUNT OF INSURANCE

a. The maximum amount of insurance available to an eligible veteran during his or her lifetime shall be $200,000, to be used as needed for insurance on his or her life during the periods he or she is obligated under a mortgage loan on a housing unit. Except for the veterans who received a grant prior to August 11, 1971, the lifetime maximum amount of insurance for any insured person shall be permanently reduced simultaneously with the reduction of the principal of the mortgage loan, whether or not the mortgage loan is amortized, and if the mortgage loan is amortized according to the schedule for the reduction of the principal of the mortgage Loan, whether or not the scheduled payments are timely made.

b. When an insured person whose $200,000 lifetime maximum amount of insurance has not been reduced to zero, disposes of his or her housing unit, there shall be available to him or her a reduced maximum amount of insurance which shall be computed by deducting from $200,000 the amount by which [the] mortgage loan had been reduced

on the date of disposal of the housing unit. In no case shall a reduction in the principal of a mortgage loan resulting from the sale of the housing unit, or a refinancing of the mortgage loan, reduce the lifetime maximum of insurance.

## 12.12 MISSTATEMENT OF AGE

If the age of any insured person has been misstated, a premium adjustment will be made. If the correct age is younger than the stated age, the insurer will refund to the insured any overpayment of premiums. If the correct age is older than the stated age, the insured person must pay to the insurer the difference between the premiums paid and the premiums due at the correct age. If the age discrepancy is discovered after the insurance has matured and the older age is correct, the amount of insurance payable will be the amount of insurance in force less the amount of premiums payable based on the correct age of the insured.

## 12.13 MORTGAGE LOANS EXCEEDING MAXIMUM AMOUNT OF INSURANCE

When the mortgage loan exceeds the maximum amount of insurance for which an eligible veteran is entitled $200,000 or the reduced maximum amount of insurance, the amount of insurance in force will remain at a constant level until the principal amount of the mortgage loan is reduced to the amount of insurance in force. At that time, the amount of insurance in force shall be reduced in accordance with the schedule for the reduction of the principal of the mortgage loan, whether or not the scheduled payments are timely made.

## 12.14 CONTINUING ELIGIBILITY

An eligible veteran who is not automatically insured under this program and who is obligated or becomes obligated under a mortgage loan on a housing unit, upon application in writing to the VA for insurance under this policy, submission of evidence that he or she meets the health requirements of the VA, together with information on which the premium can be based, payment of the required premium, and upon approval by the VA, will be insured under this program. Subject to the $200,000 lifetime maximum amount of insurance, and to the reduced maximum amount of insurance available to him or her and to the other requirements, an eligible veteran is entitled to be insured under this program, or to apply for such insurance as often as he or she becomes obligated under a mortgage loan or a refinanced mortgage loan on a housing unit or a successor housing unit owned and occupied by him or her.

## 12.15 TERMINATION OF INSURANCE

a. Insurance under this program shall terminate (when whichever of the following events occurs first:

   (1) Satisfaction of the Veteran's indebtedness under the loan upon which the insurance is based;

   (2) The veteran's 70th birthday;

(3) Termination of the veteran's ownership of the property securing the loan;

(4) Request of the veteran;

(5) Discontinuance of payment of premiums by the veteran;

(6) Discontinuance of the group contract or agreement; or

(7) Expiration of the period of time required for the amortization of the loan if all payments had been timely made, in cases in which the insurance is reduced in accordance with the schedule for the reduction in the principal of the mortgage loan.

b. Termination of the mortgage protection life insurance will in no way affect the guaranty or insurance of the loan by the VA.

## 12.16 AMOUNT OF BENEFITS

a. The amount of benefits payable will be the lesser of the following amounts:

(1) $200,000 or

(2) The reduced lifetime maximum amount of insurance available to the veteran, or

(3) The amount of the unrepaid principal of the mortgage Loan on the insured's housing unit on the date of his or her death, or

(4) The amount of the principal of the mortgage loan on the insured's housing unit that would have remained unpaid on the date of his or her death had all loan, interest and other payments on the loan, been paid in full when due.

b. In addition to the amounts specified in subparagraph a above, interest will be paid on the amounts, at the loan interest rate, from the date of the Last( scheduled loan payment preceding the date of death of the insured to the date of payment of benefits under this insurance program.

c. In addition to the interest specified in subparagraph b above and the amounts specified in sub paragraph a (3) or (4) above, there will be paid the amount of any prepayment penalty resulting from paying of benefits of this insurance which, when added to the amounts payable under subparagraph a (3) or (4) above, does not exceed the amounts specified in subparagraph a (1) or (2) above, whichever amount is applicable.

d. When proof of death is furnished to the Office of Veterans Mortgage Life Insurance more than 90 days after the date of death of the insured, the rate of interest payable under subparagraph b above, commencing with the 91st day following the date of death shall not exceed the rate of interest applied by the insurer to premiums paid in advance.

e. No payments shall be made under this insurance when the insurance is reduced in accordance with the schedule for reduction of the loan principal for a period of time required to liquidate the Loan, if all payments had been timely made.

f. The amount of benefits otherwise payable shall not be reduced because of any payment made or due on the mortgage loan on the date of death of the insured.

## 12.17 PAYMENT OF CLAIMS

Any amount of VMLI in force on the date of death of an eligible veteran shall be paid only to the holder of the mortgage loan. If the VA is the holder of the mortgage loan, the insurance proceeds shall be credited to the Loan indebtedness and, as appropriate, deposited in either the direct loan or the loan guaranty revolving fund. If there is more than one mortgage loan on a housing unit at the time the insurance matures, the proceeds will be payable to the holder of flu mortgage loans in the order of the priority of the liens.

# SUBCHAPTER 3. FOREIGN ADDRESS GEOGRAPHIC AND COUNTRY CODES

## 12.18 GENERAL

a. The foreign address geographic codes are designed to facilitate the automatic compilation of data by country and major geographic areas. The codes are an extension of the United States Postal Service domestic ZIP code and also include those islands, territories and trusteeships of the Caribbean and Pacific for which no ZIP code was assigned.

b. The foreign address country codes are three-digit numeric codes assigned to identify individual State Department Foreign Service posts in foreign countries for the purpose of delivering Treasury checks.

***References:***

*User Guides*

- Name and Address Guide in LifePro

## 12.19 FOREIGN ADDRESS GEOGRAPHIC CODES

a. A five-character alphanumeric code has been assigned for all foreign countries. The code is a three-digit number preceded by "FC" (example: FC00I-Canada). It appears in the ZIP code area of the VA Form 29-5886b, Insurance Record Printout, for the purpose of making gold-flow computations within the system. It is not shown on computer printed or clerically prepared forms and form letters, and is not used on dictated and MTST letters.

b. Each of the major continents are assigned a separate series of codes, as follows:

| Continent or Area | Code Series |
|---|---|
| North America | FC001 -FC099 |
| Central America | FC101 -FC199 |

| | |
|---|---|
| West Indies | FC201 -FC299 |
| South America | FC301 -FC399 |
| Europe | FC401 -FC499 |
| Asia | FC501 -FC599 |
| Australia and Oceania | FC601 -FC699 |
| Africa | FC701 -FC799 |
| Non-ZIP-coded Islands, Territories and Trusteeships in the Pacific and Caribbean | FC999 |

c. When preparing input documents to insert or change a foreign address, enter the foreign address geographic code assigned to that country or area. If a new address is received for which a foreign code has not been assigned, enter the address in the master record and "FC000." The Chief, Program Management Division (290), VA Center, Philadelphia, Pennsylvania, will be requested to assign a foreign code. The Insurance Division of the VA center involved will maintain a record of the account to insure that the code is entered In the master record when assigned.

d. The foreign address geographic codes do not replace the code numbers used in the German and Italian postal systems or any other mail distribution coding system which may be adopted by other foreign countries. Such foreign addresses will continue to be coded under existing instructions, in addition to entering the applicable foreign address geographic codes as shown in MP-6, part II, supplement No. 1 A, appendixes 6A and 6B.

(1) Foreign address code "FC413" is used for all Germany addresses, unless the address is identifiable as being in East Germany or the Soviet Section of Berlin. East Germany addresses ("FC4I2") can be identified when one of the following is shown as part of the address:

(a) DDR (Deutsche Demokratische Republik)

(b) Deutsche Demokratische Republik

(c) German Democratic Republic.

(2) Federal Republic of Germany addresses must be coded as follows: The four-digit post office number must be entered in the first four spaces of the first line of the address followed by the street address or town or city. When assigned code numbers are less than four digits, add zeros at the end to compete a four-digit number.

**EXAMPLE:**

Hans Keller
6701 Hardenburg (code and city)
Alboinstrasse 59 (Street and Number)

Germany - 944

(3) Italy's coding system is a number composed of five digits and Is assigned to each of the Italian postal districts.

(a) Correspondence going to Italy should include the international Italian automobile abbreviation "I" separated by a space from the numb et which should be written to the left of the city and coded as follows:

Sandra Gollini
Villa del Tigli
1-55049 Viareggio
Italy - 700

(b) The Italian Post Office Guide is located in the Office of the Chief, Policy Service Section, VA Center, Philadelphia, Pennsylvania.

## 12.20 FOREIGN ADDRESS COUNTRY CODES

a. The Treasury Department must punch and print foreign country codes on all foreign checks. Therefore, the foreign geographic codes were supplemented by adding a numeric country code. The three-digit numeric code is entered on address input documents in the last three positions of the last line of address, preceded by a dash (-).

(Example: Paris, France - 912) The codes are printed on PPO's and are used only for disbursing Treasury checks. They will not be included in the address for any other mail being released to the insured.

b. The country codes are obtained from the State Department lists which are periodically updated to show changes, deletions and assignment of new codes. In some instances, a thorough clerical review is required to determine the code to which the check should be delivered based on geographical location.

c. On October 29, 1971, the country codes were entered in the insurance master records. These codes are to be maintained currently.

(1) The addresses, including the country code, will be entered in the master record, using transaction type 081 on the input documents.

(2) If a wrong country code is entered in the master record, causing the Treasury check to be delivered to the wrong State Department Foreign Service post, the check will be delivered but the VA center will be advised by that post of the correct code. The records will be changed as shown in subparagraph (l) above.

d. The MP-6, part II, supplement No. 1 A, appendix 6A (Foreign Address Geographic and Country Codes (Numeric Listing)), and appendix 6B (Alphabetic List of Foreign Address Geographic and Country Codes) have been expanded to include the numeric country codes

***References:***

*User Guides*

- Foreign Address Information User Guide in VISION and LifePro

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**Publication Date:** May 20, 2019

### 13.01 PAYMENT OF PREMIUMS

Section removed as all parts have been moved to other appropriate chapters.

### 13.02 APPLICATIONS

a. Name of Applicant. The spelling and/or arrangement of the applicant's name in the body of the application must agree with the signature. If they do not completely agree, but it is reasonably certain that both apply to one and the same person, the name as formatted in the VA system of records will be utilized. If there is a major variance, the discrepancy will be clarified with the applicant.

b. Medical Applications. An application which requires information from the insured's medical records will be referred to as a medical application. This may include both VA and private treatment records.

c. Nonmedical Applications. An application which requires any statement(s) as to health, excluding information from the insured's medical records, will be referred to as a Nonmedical application. This may include both VA and private treatment records.

d. Supplemental Applications

1. The following periods of time from the date of VA's development letter will be allowed for submission of supplemental applications, medical data, and/or certifications of health.

   a) 31 days - if applicant is residing within the continental limits of the United States.

   b) 60 days - if applicant is residing outside the continental limits of the United States.

2. When requesting a health certification, the date(s) which is a pertinent part of the certification will be inserted on the application or letter.

3. If the supplemental data is submitted within the prescribed period of time, the information will be considered as being available at time the original application was submitted.

4. If the supplemental data is not submitted within the prescribed period of time but is available before the final action is taken, such as a refund of premiums, etc., the information will be considered as timely submitted.

**NOTE:** If the applicant requests additional time to submit the necessary data, the Assistant Director, Insurance Operations or designee may allow an additional period for forwarding such evidence.

e. Delayed Applications

1. If a medical application, accompanied or preceded by the required remittance, is mailed or otherwise delivered to the VA within 31 days after VA requests additional medical information not available from VA systems, it will be processed without regard to such delay.

2. If a medical application, accompanied or preceded by the required remittance, is mailed or otherwise delivered to the VA more than 31 days after VA requests additional medical information not available from VA systems, the application will be disapproved. The applicant will be advised of the necessary requirements for submitting a new application. However, when there is not sufficient time remaining under the law for the applicant to reapply, such application will be held pending and private treatment records will be requested. If found acceptable, the report will be used to supplement the original application.

3. If a non-medical application, accompanied or preceded by the required remittance, is mailed or otherwise delivered to the VA more than 31 days after the date of signature, it will be disapproved and new requirements will be furnished the applicant.

4. When all the S-DVI application requirements are met (valid application and premium payment, or request for deduction/allotment), the S-DVI policy will be issued on the basis of the original application's postmark or signature date (if postmark not available). If all requirements are not met, the effective date is the date VA receives the final evidence to meet such requirements.

f. Applications Unsigned, Undated or Postdated

1. All applications should be signed and properly dated by the applicant or appointed fiduciary, legal guardian, or POA.

2. If a date has been altered in any part, where the applicant or appointed fiduciary, legal guardian, or POA signs the application, or in any part, where the physician signs the form, the date must be clarified or a new application submitted.

3. When any part of a medical application is unsigned by the applicant or appointed fiduciary, legal guardian, or POA the signature will be requested before processing the application.

4. When any part of the physician's portion of a medical application is unsigned, undated or postdated, and medical information required to process the application is not available in VA systems, the date and/or signature of the examining physician will be obtained.

5. When a non-medical application is unsigned, undated or postdated, the application will be held pending unless the non-medical application is processed by phone (e.g. reinstatement). The applicant will be asked to furnish a supplemental comparative health statement showing that he or she was in as good health on the date the application was postmarked or otherwise delivered to VA as on the date the application was completed.

6. When an unsigned application for conversion, change of plan to a higher reserve or for issue of replacement Ordinary Life when the insured is 65 or 70 years old and has the Modified Life plan of insurance is received, the requested action may be taken. However, a beneficiary designation may not be accepted from an unsigned application.

g. Remittance Sent After Date of Private Treatment Records

1. If the required remittance is mailed or otherwise delivered to VA within 31 days after the date of the private treatment records, the application may be processed without regard to such delay.

2. If more than 31 days have elapsed, and medical evidence is not available in VA systems, the application will be disapproved. The applicant will be furnished the necessary requirements to reapply. If insufficient time remains under the law for reapplication, the application will be held pending. The applicant will be asked to furnish supplemental medical treatment records. If found acceptable, the records will be used to supplement the original application.

h. Remittance Sent After Date of Signature. If the required remittance is mailed or otherwise delivered to the VA within 31 days after the date of signature on a Nonmedical application, the application may be processed without regard to such delay.

i. Granting Additional Time to Meet Monetary or Medical Requirements. When it is necessary to obtain either additional information or money from an applicant, and a delay in processing is caused by VA which resulted in the prescribed period having expired or insufficient time remaining, the applicant will be allowed 15 days from the date of the letter (31 days outside the United States) to meet the requirements.

j. Applications Submitted Without Required Private Treatment Records. If an application is submitted without the necessary private treatment records, it will be disapproved except as provided for in paragraph 13.02e(2).

k. Signature by Mark or by a Blind Person. When an applicant signs the application by mark (X), it must be witnessed by two disinterested persons and they must furnish their addresses. If the applicant is physically unable to sign the application by name or mark, a statement signed by two disinterested persons stating that the applicant desired the submission of the application, is required. The witnesses must furnish their addresses. If there is any doubt as to the authenticity of the signatures of the witnesses in either circumstance, the insured will be asked to complete a new designation with different witnesses. Whenever practical, the form should be witnessed by a VA representative.

l. Filing Applications and Other Material in Electronic Folders. All correspondence, including copies of outgoing letters, will be filed in the electronic folder in chronological order. All forms, including applications, will also be filed in the electronic folder in chronological order. Disposal material will not be filed in the insurance electronic folder.

m. Receipt of Applications by VA. The received date by VA will be determined by (1) postmark date, if mailed, or (2) earliest received date indicated by stamp if delivered to VA or (3) date application placed in military channels (if Veteran returns to duty), (4) electronic imaged date stamp or (5) fax received date stamp, or (6) email date.

n. Acknowledgment of Applications

1. When a new policy number is assigned for RH insurance:

   a) Local indexing of such assignment should be completed.

2. VA Form 29-5885b, Information About Your Insurance and/or Application, is a system-generated form and is used to acknowledge a remittance bearing application. The message YOUR APPLICATION IS RECEIVING ATTENTION is printed thereon.

o. Time Limits for Filing Applications. If the last day specified for filing an application falls on a Saturday, Sunday or legal holiday, the application will be considered as having been filed timely if it is submitted on the following workday. When a holiday occurs on Saturday, the preceding Friday is a legal holiday for Federal employees. When a holiday occurs on Sunday, the following Monday is a legal holiday for Federal employees. These holidays will be considered in determining the last day of a specified period for filing of applications or for payment of insurance premiums. The effective date will be the date the application is submitted unless the applicant requests any other acceptable date.

p. Defacing and Obliterating Applications and Other Official Documents. Unauthorized markings and notations will not be made on insurance applications and other official documents. Unnecessary notations and observations concerning certain evidence can destroy the usefulness of the documents in the case of a claim or in the process of

finding fraud. This is especially true regarding photocopies of such official documents. When it is necessary to comment on the entries in an application or other official document, such comment should be by a separate memo, reference slip, or recognized electronic system record.

q. Withdrawal of Application. If the applicant requests withdrawal of the application for insurance, the rules are:

1. When the applicant has submitted a timely application for insurance, together with the remittance covering the initial premium, the application meets all requirements, and the request for withdrawal is delivered to VA on or after the effective date of change, the request will not be granted, and the application will be approved. If forwarded by mail, properly addressed, the postmark date will be taken as the date of delivery. If forwarded through military (Veteran returned to duty) or VA channels, the date the request is placed in channels will be taken as the date of delivery.

2. When additional evidence or other requirements must be furnished by the applicant before determination of acceptability can be made, the application may be withdrawn, provided the request is delivered to VA or bears a postmark date prior to the date of submission of the additional requirements.

3. The application may also be withdrawn if the request is delivered to VA or bears a postmark date prior to the effective date of change.

***References:***

- M29-1, Part I, Chapter 13, Sec 13.02(e): Delayed Applications

*User Guides*

- Reissuing a Policy User Guide in LifePro

## 13.03 POLICY NUMBERS AND RECORDS

a. Assignment of Policy Numbers. Blocks of numbers are assigned as follows:

1. Philadelphia

a) For all NSLI policies except those with an "N" prefix:

1 through 999,999
16,000,000 through 17,999,999

b) For NSLI policies with an "N" prefix:

22,005,000 through 22,005,999

c) For USGLI policies:

1,200,000 through 1,299,999

d) For clerically assigned policy numbers for Supplemental “RH”:

40,000,000 through 40,999,999

2. St. Paul (St. Paul Office was consolidated to Philadelphia and no longer issues policies.)

   a) For all NSLI policies except those with an "N" prefix:

      19,000,000 through 19,999,999

   b) For NSLI policies with an "N" prefix:

      22,004,000 through 22,004,999

   c) For clerically assigned policy numbers for Supplemental “RH”:

      41,000,000 through 41,999,999

3. Philadelphia and St. Paul Offices

   a) For REPL policies with a “V, H, RH, or W” prefix:

      27,000,000 through 29,999,999

   b) For REPL policies with a “J and JR” prefix:

      88,000,000 through 89,999,999

   c) The range of policy numbers issued for Supplemental “RH” insurance through the INSR screen:

      45,000,000 through 45,999,999

   d) The range of file and policy numbers issued for new “RH” insurance through the INSR screen:

      50,000,000 through 50,300,000

4. Regardless of the insurance programs involved, an insured may not have two policy numbers with identical figures in the last three digits in the low order position.

b. Correction of Duplicate Numbers. When an insurance number has been duplicated, correction will be made by deletion of the duplicated number from the records of one of the insurance contracts involved. The records will be assembled and examined to determine from which record the duplicate number is to be deleted. The insured will be notified of the new policy number.

c. Combining of Electronic Insurance Records. When an application is approved and there is a record of other active insurance, the records will be combined. The order of precedence is V (including RS, RH or H), J and K. If an RH policy is approved and there is an active J and/or K policy, the folders will be combined under the RH number. It will be necessary to delete the J and/or K records and reinsert them under the RH file number.

## 13.04 ISSUANCE OF POLICIES AND TDIP RIDERS

a. Form Numbers of Policies and Riders

1. For insurance assigned "K" numbers

   9-341 Special Endowment at Age 96

   9-735 5-Year Level Premium Term

   9-741 Ordinary Life

   9-745 5-Year Convertible Term

   9-747 20-Payment Life

   9-748 30-Payment Life

   9-749 20-Year Endowment

   9-750 30-Year Endowment

   9-751 Endowment at age 62

   9-753 Total Disability Provision

   9-1667a Total Permanent Disability Provision

   Form 753 Total Disability Provision

2. For insurance assigned "V" numbers

   9-1667 Total Disability Income Provision [($5-60)]

   29-1660 5-Year Level Premium Term

   29-1661 Ordinary Life, 20-Payment Life, 30-Payment Life

   29-1664 Endowment Policy

   29-1667 Total Disability Income Provision ($10-65)

   29-1667b Total Disability Income Provision ($10-60)

   29-8161 Modified Life-Age 65

   29-8175 Special Ordinary Life at Age 65

   29-8177 Modified Life-Age 70

   29-8181 Special Ordinary Life at Age 70

3. For insurance assigned "H" numbers

29-8162 H Modified Life -Age 65

29-8176 H Ordinary Life at Age 65

29-8289 H Modified Life-Age 70

29-8682 H Ordinary Life at Age 70

29-8683

4. For insurance assigned "RS" numbers

   9-4400 5-Year Level Premium Renewable Non-Convertible Term

   29-1667 Total Disability Income Provision ($10-65)

   29-1667b Total Disability Income Provision ($10-60)

   29-8374 Waiver of Premiums Provision, to be attached to VA Form 9-4400

5. For insurance assigned "RH" numbers

   29-4401 5-Year Level Premium Term

   29-4402 Ordinary Life, 20-Payment Life, 30-Payment Life

   29-4405 Endowment Plans

   29-8163 Modified Life-Age 65

   29-8180 Modified Life-Age 70

6. For insurance assigned "W" numbers

   29-4408 Limited Convertible 5-Year Level Premium Term

   29-4409 Life Plans

   29-4410 Endowment Plans

   29-8164 Modified Life-Age 65

   29-8179 Modified Life-Age 70

   29-1667 Total Disability Income Provision ($10-65)

   29-1667b Total Disability Income Provision ($10-60)

   29-8374 Waiver of Premiums Provision, to be attached to VA Forms 29-4409 and 29-4410

7. For insurance assigned "J" numbers

   29-8165 Modified Life-Age 65

   29-8178 Modified Life-Age 70

   29-8168 Ordinary Life, 20-Payment Life, 30-Payment Life

   29-8171 Endowment Plans

   29-487 Total Disability Income Provision

8. For insurance assigned JR numbers

   29-8166 Modified Life-Age 65

   29-8291 Modified Life-Age 70

   29-8169 Ordinary Life, 20-Payment Life, 30-Payment Life

   29-8172 Endowment Plans

   29-487 Total Disability Income Provision

9. For insurance assigned JS numbers

   29-8167 Modified Life-Age 65

   29-8291 Modified Life-Age 70

   29-8170 Ordinary Life, 20-Payment Life, 30-Payment Life

   29-8173 Endowment Plans

   29-8174 1-Year Endowment

   29-487 Total Disability Income Provision

b. Preparation of Policy and/or Rider. Generally, policies and/or riders for NSLI are generated by the computer at the time of issue or change. When the policy and/or rider is not generated by the computer, clerical preparation is necessary and should be requested by sending a request to the Chief, Policyholders Service Division.

## 13.05 PLANS OF INSURANCE (CODES)

Codes for NSLI

1-Ordinary Life
2-20-Payment Life
3-30-Payment Life
4-20-Year Endowment
5-Endowment At Age 60

6-Endowment At Age 65
7-5-Year Level Term or 5-Year Limited Convertible Term
8-Modified Life-Age 65
-8 (X8 or M)-Modified Life-Age 70
9-Reduced Modified Life-Age 65
-9 (X9 or M) -Reduced Modified Life-Age 70
0-Replacement Ordinary Life V, W, H, RH or J-Ages 65 and 70.

## 13.06 POLICY LOANS

a. Authority for granting policy loans on NSLI is included in 38 U.S.C. 1906 and 38 CFR 8.13.

b. A policy loan may be granted on any inforce policy issued on a permanent plan or term with the paid-up additions attached. This includes policies surrendered for reduced paid-up insurance but does not include policies furnishing protection under the extended term provision.

***References:***

- 38 U.S.C. 1906: Policy Provisions
- 38 CFR 8.13: Policy Loans

## 13.07 USE OF DIVIDENDS IN UNDERWRITING ACTIONS

Section removed as information moved to M29-1, Part I, Chapter 5 - Dividends.

***References:***

- M29-1, Part I, Chapter 5: Dividends

## 13.08 AGE OF INSURED

a. The age of the applicant for insurance purposes is his or her age on his or her birthday anniversary nearest to the effective date of the policy. Make the calculation to determine the insurance age by subtracting the date of birth from the effective date of insurance.

**Example 1:**
**Effective date** **July 1,2018**
**Date of birth** **January 18, 1975**

| | **Year** | **Month (Number)** | **Day Number** |
|---|---|---|---|
| **Effective Date** | **2018** | **7** | **1** |
| **Date of Birth** | **1975** | **1** | **18** |
| **Difference** | **43** | **6** | **-17** |

**The insurance age is 43 as the insured is 43 years, 5 months, and 13 days old.**

**Example 2:**
**Effective date** **July, 2018**
**Date of birth** **November 10, 1974**

| | Year | Month (Number) | Day Number |
|---|---|---|---|
| **Effective Date** | **2018** | **7** | **1** |
| **Date of Birth** | **1974** | **11** | **10** |
| **Difference** | **44** | **-4** | **-9** |

b. When the insurance effective date is exactly halfway between two birthdays, the age calculation will result in an even 6 months. In such instances, determine insurance age as follows:

1. Where the day of birth and effective day are the same, the insurance age is the younger age.

**Example 3:**
**Effective date** **November 25, 2018**
**Date of birth** **May 25, 1975**

| | Year | Month (Number) | Day Number |
|---|---|---|---|
| **Effective Date** | **2018** | **11** | **25** |
| **Date of Birth** | **1975** | **5** | **25** |
| **Difference** | **43** | **-6** | **0** |

**The insurance age is 43 as the insured is 43 years and 6 months old.**

2. Where the day of birth and effective day are not the same, the insurance age is the older age. The month rather than the day determines the insurance age.

**Example 4:**
**Effective date** **December 1, 2018**
**Date of birth** **May 31, 1975**

| | Year | Month (Number) | Day Number |
|---|---|---|---|
| **Effective Date** | **2018** | **12** | **31** |
| **Date of Birth** | **1975** | **5** | **1** |
| **Difference** | **43** | **-7** | **-1** |

**The insurance age is 44 as the insured is 43 years, 6 months, and one day old.**

c. If VA records disclose different dates of birth that affect the insurance age, the discrepancy will be clarified. If proof is not furnished the date of birth resulting in the older age will be used.

d. After the insurance is inforce under certain conditions it is necessary to determine the attained age of the insured. This is done by subtracting the effective date of the policy from the premium due date of the attained age that is needed and then adding the issue age of the insured on the effective date of the insurance. The attained age is determined in years and months. The following is an example of the calculation:

**Attained Age**

**Amount of Coverage: $10,000**
**Plan: Ordinary Life**
**Effective Date: September 9, 2000**
**Issue Age: 32**

| | **Year** | **Month (Number)** | **Day Number** |
|---|---|---|---|
| **Premium Due Date at Attained Age** | **2018** | **1** | **1** |
| **Effective Date** | **2000** | **9** | **9** |
| **Difference** | **18** | **-8** | **-8** |

The difference between the premium due attained age and the effective date is: 17 years, 4 months, and 22 days. Then add the issue age of 32 for 49 years, 4 months, and 22 days.

**Attained age as of January 1, 2018 is 49.**

## 13.09 DEATH OF APPLICANT BEFORE DELIVERY OF APPLICATION FOR INSURANCE TO VA

The date an application is delivered to VA must be before the date of death of the applicant. Otherwise, the application will be disapproved.

## 13.10 POWERS OF ATTORNEY

Section removed as all content moved to M29-1, Part I, Chapter 35 - Third Party Requests.

***References:***

- M29-1, Part I, Chapter 35: Third Party Requests

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| 14.13 | Notification to Veteran of Possible Eligibility for S-DVI |
| 14.14 | Supplemental Service-Disabled Veterans' Insurance (38 U.S.C 1922A) |


**Publication Date:** October 29, 2021

**14.01 GENERAL (38 U.S.C. 1922)**

a. Service Disabled Veterans' Insurance (RH) is available to persons released from active duty with the military service on or after April 25, 1951, under other than dishonorable conditions, with service-connected disability or disabilities for which compensation would be payable if 10 percent or more in degree. RH policies will no longer be issued after December 31, 2022 due to the new VA Life Insurance Program.

b. The applicant must submit an application for the insurance, together with satisfactory proof of his or her insurability, except for service-connected disability(ies), according to the standards of good health established by the Secretary.

c. Service-connected disability(ies) even though evaluated at less than 10 percent (including zero percent), will not make the applicant ineligible if all other requirements are met. The exceptions to this rule are:

    1. Service-connected disability for a dental condition that was made for a dental claim is not qualifying since such ratings are always less than 10 percent and no compensation is payable. Ratings pertaining to injury which involve dentures are based on the injury and are not considered as dental ratings.

    2. Service-connected disabilities for conditions that cannot be rated at greater than zero percent.

    3. Under 38 U.S.C. 1702, any Veteran who develops an active psychosis within 2 years after his or her discharge or release from military service during or immediately following a period in which the United States is engaged in combat will be granted service-connected disability. This disability makes the Veteran eligible for hospital and medical care only. The Veteran is not eligible for RH insurance on this rating alone.

***References:***

- 38 U.S.C 1922: Legacy Service-Disabled Veterans' Insurance
- 38 U.S.C 1702: Presumptions: Psychosis after service in World War II and Following Periods of War, Mental Illness after Service in Persian Gulf War

## 14.02 ELIGIBILITY

a. Registrants under the Selective Service Act of 1948, as amended, and persons provisionally accepted for active duty on or after June 27, 1950, who were ordered to report to a designated place for induction into the active service and who incurred a disability while enroute to this place, are eligible to apply for RH insurance notwithstanding that, even if the disability exceeded 10 percent, no compensation would be payable. Application for the insurance must be filed by such persons within 2 years after the incurrence of disability under these conditions and no later than December 31, 2022. See 38 U.S.C. 1922.

b. Commissioned officers of the Public Health Service who are deemed to be in the active military service under the provisions of Public Law 881, 84th Congress (but not entitled to protection under the Servicemen's indemnity Act of 1951, as amended) are considered to have been in the active service on or after July 4,1952, and prior to

January 1, 1957, for the purpose of applying for RH insurance if they were separated during that period and file application for insurance on or after January 1, 1957.

c. Commissioned officers of NOAA (National Oceanic and Atmospheric Administration), or its predecessor, the Coast and Geodetic Survey, who are deemed to be in the active military service under the provisions of Public Law 881, 84th Congress (but not entitled to protection under the Servicemen's indemnity Act of 1951, as amended), are considered to have been in the active service on or after July 29, 1954, and prior to January 1, 1957, for the purpose of applying for RH insurance if they were separated on or after April 25, 1951, and prior to January 1, 1957, and file application for insurance on or after January 1, 1957.

d. The term "active military, naval, or air service" includes— (A)active duty; (B)any period of active duty for training during which the individual concerned was disabled or died from a disease or injury incurred or aggravated in line of duty; and (C)any period of inactive duty training during which the individual concerned was disabled or died— (i)from an injury incurred or aggravated in line of duty; or (ii)from an acute myocardial infarction, a cardiac arrest, or a cerebrovascular accident occurring during such training. Any person in "active military, naval, or air service" who is subsequently rated as service-connected, is eligible to apply for RH insurance.

e. Since discharge under other than dishonorable conditions is a requirement for eligibility under 38 U.S.C. 1922 usually any application received indicating a dishonorable discharge will be immediately disapproved and the applicant advised as to the reason. When the applicant did not receive a dishonorable discharge, but was discharged under dishonorable conditions, the insurance will not be granted. However, when a Veteran has received a dishonorable discharge for his or her last period of service but had prior service that terminated after April 25, 1951, under other than dishonorable conditions and the disability occurred during that period, eligibility for RH insurance may be established for that period of service. The determination of the rating board will be accepted by the Insurance Center unless it is obvious that a clear and unmistakable error has been made or new evidence is introduced. In either of these events, the matter should be brought to the attention of the appropriate Rating Activity.

f. Forfeiture of compensation benefits for fraud will not be a bar to issuance of RH insurance to an otherwise qualified applicant.

***References:***

- 38 U.S.C. 106: Certain Service Deemed to be Active Service
- 38 U.S.C. 1922: Legacy Service-Disabled Veterans' Insurance

## 14.03 DEFINITION OF TYPES OF DUTY IN MILITARY SERVICE

a. "Active duty" means:

1. Full-time duty performed by a member of a uniformed service in the active military or naval service, other than active duty for training.

2. Full-time duty as a commissioned officer in [NOAA (National Oceanic and Atmospheric Administration) or its,] the Coast and Geodetic Survey, or in the

Regular Corps of the Public Health Service, or in the Predecessor Reserve Corps of the Public Health Service (other than for training purposes).

3. Service as a cadet at the United States Military, Air Force, or Coast Guard Academy, or as a midshipman at the United States Naval Academy.

4. Authorized travel to or from such duty or service.

b. "Active duty for training" means:

1. Full-time duty performed by a member of a Reserve component of a uniformed service in the active military or naval service of the United States for training programs.

2. Full-time duty as a commissioned officer in the Reserve Corps of the Public Health Service for training purposes.

3. Annual training duty performed for a period of 14 days or more by a member of the Reserve Officers' Training Corps, the Naval Reserve Officers' Training Corps, or the Air Force Reserve Officers' Training Corps.

4. Authorized travel to or from such duty. The term does not include duty performed as a temporary member of the Coast Guard Reserve.

c. "Inactive duty training" means any of the training, instructions, duty, appropriate duties, or equivalent training, instruction, duty, appropriate duties, or hazardous duty, performed with or without compensation by a member of a Reserve component of a uniformed service, prescribed by the appropriate secretary pursuant to section 501 of the Career Compensation Act of 1949, or any other provision of law. The term does not include:

1. Work or study performed by a member of a Reserve component of a uniformed service in connection with correspondence courses at the Army, Navy, Air Force, Marine Corps, Coast Guard, or Public Health Service.

2. Attendance at an educational institution in an inactive status under the sponsorship of the Army, Navy, Air Force, Marine Corps, Coast Guard, or Public Health Service.

3. Duty performed as a temporary member of the Coast Guard Reserve.

d. On and after January 1, 1957, as defined in section 102 of Public Law 881, 84th Congress, a "member of a uniformed service" is a person appointed, enlisted, or inducted in a component of the Army, Navy, Air Force, Marine Corps, or Coast Guard (including a Reserve component of a uniformed service), or in one of these services without specification of component, or as a commissioned officer of NOAA (National Oceanic and Atmospheric Administration) or its Predecessor, the Coast and Geodetic Survey, or the Regular or Reserve Corps of the Public Health Service, and any person serving in the Army or Air Force under call or conscription. The term includes the following:

1. A retired member of any of these services.

2. A member of the Fleet Reserve or Fleet Marine Corps Reserve.

3. A cadet at the United States Military Academy, the United States Coast Guard Academy, the United States Air Force Academy, or a midshipman at the United States Naval Academy.

4. A member of the Reserve Officers' Training Corps, or the Air Force Reserve Officers' Training Corps, when ordered to annual training duty for 14 days or more, and while performing authorized travel to and from that duty.

5. Any person, while enroute to or from, or at, a place for final acceptance or for entry upon active duty in military or naval service, who has been provisionally accepted for such duty or who, under the Universal Military Training and Service Act, has been selected for active military or naval service and has been ordered or directed to proceed to such place.

6. The term does not include a temporary member of the Coast Guard Reserve.

e. The term "Reserve component of a uniformed service" includes the Army Reserve, the Naval Reserve, the Marine Corps Reserve, the Air Force Reserve, the Coast Guard Reserve, the Reserve Corps of the Public Health Service, the National Guard of the United States, and the Air National Guard of the United States. A member of the National Guard or the Air National Guard of the several States, Territories, or the District of Columbia, when performing training or duty under sections 92,94,97,99, or 113 of the National Defense Act of June 3, 1916, as amended, shall, for the purpose of benefits provided by Public Law 881, 84th Congress, be considered a member of a Reserve component of a uniformed service, and training or duty performed by a member under these sections of the act shall be considered "active duty for training or inactive duty training" as appropriate.

## 14.04 REQUIREMENTS

a. Applications

1. Application for S-DVI should be made, whenever practicable, using the online S-DVI web application, VA Form 29-4364 or 29-0151, Application for Service-Disabled Veterans' Insurance (RH).

2. The application must be signed by the applicant and submitted before the expiration of the statutory time limit, which is two years from the date of notification by VA (award letter) initially granting service connection for a disability and no later than December 31, 2022. If the application is received more than 2-years after this date or after December 31, 2022, it will be disapproved, and the Veteran so advised. Veterans with ratings dated prior to September 1, 1991 had one year, rather than the current two years, from the date of the rating to apply.

   a) If a copy of the award letter, or the award letter date is not available in VA systems, the date will be determined by adding 3 days from the date of the rating decision in VA systems.

   b) If an applicant is shown to have been mentally incompetent during any part of the 2-year period, application for S-DVI may be filed within two years after the appointment of a legal guardian (including VA fiduciary), within 2 years after the

date of the rating removing the incompetency, whichever is the earlier date. This date cannot be after December 31, 2022 when the S-DVI Program closes to new issues. The application must be signed by the legal guardian or VA appointed fiduciary. If the legal guardian is discharged during the 2-year period and later a new legal guardian is appointed, the new legal guardian will have 2-years from the date of the appointment to file the application, but no later than December 31, 2022. In cases of a mentally incompetent Veteran, VA will verify the current VA Fiduciary or Legal Guardianship through VA Systems during processing.

***NOTE**: If a legal guardian has been appointed and the Veteran signs the application, the legal guardian must sign also.*

3. An application for waiver of premiums will be accepted as an informal application for S-DVI in the following situations:

   a) The Veteran does not have any S-DVI coverage in force and has not completed 29-4364 or 29-0151, or

   b) The insured has S-DVI coverage inforce in an amount less than the legislative maximum.

   c) The Veteran/insured will be allowed no more than 31 days from the date VA Insurance notifies them that additional requirements are necessary to submit the required information/application.

4. If a Servicemember meets all the eligibility requirements based on a prior period of service, they may apply for S-DVI immediately. In contrast, if a Servicemember receives a pre-separation VA disability rating, and submits an application for S-DVI, the application will be disapproved, and they will be advised to wait until they are separated, and VA approves a rating decision for a new service-connected disability to reapply.

5. When an application for S-DVI is submitted and VA determines that the Veteran does not have a service-connected disability, the application will be disapproved. If the decision as to service connection is subsequently reversed, the Veteran must file a new application. The Veteran's rights and eligibility to apply commences with the date of notification of the first rating which grants service connection, after discharge from the last period of active service.

6. If the rating agency reverses the decision as to service connection after death the case will be reviewed by the Insurance Claims Division to determine if insurance may be issued under Gratuitous S-DVI (ARH). Unless the Veteran meets the criteria for ARH (See M29-1, Part I, Chapter 15), no insurance can be issued after death.

7. When an application for S-DVI is submitted and Veteran is timely based on his/her last new rating, but has a pending rating for a condition that may impact insurability, the following actions should be taken:

   a) Pending diary for future action should be set, and

   b) Letter to the applicant should be released explaining that the S-DVI application decision will be made once the rating activity makes a determination on service connection for the pending issue.

8. VA Insurance will use available VA systems to determine eligibility criteria are met. This includes date of separation, character of service, timeliness, and insurability. Additionally, Live Claims staff should follow Standard Operating Procedures for underwriting non-service-connected conditions.

b. Monetary Requirements.

1. An amount sufficient to cover at least the initial monthly premium should be submitted with the application prior to a policy being eligible for approval.

   a) If the Veteran indicates on the application that he or she is receiving VA compensation and requests to have a deduction established, VA will verify that the amount insufficient to pay the insurance premiums, this will be accepted in lieu of the initial premium.

   b) If the Veteran indicates on the application that he or she is receiving military retirement pay and requests to have a deduction established, VA will verify that the amount is sufficient to pay the insurance premiums, this will be accepted in lieu of the initial premium.

   c) If the Veteran submits an online application and elects to pay directly, VA Insurance will send out a development letter on applications that are approvable for the initial premium payment.

   d) If the Veteran indicates on the application that he is she wants to pay the premiums by deduction from his/her checking account, a development letter will be sent to the Veteran asking him/her to send the first month's premium payment and to complete and return VA Form 29-0165, VA MATIC Enrollment/Change.

   e) Where the applicant does not state the plan desired, term insurance may be issued.

   f) When no remittance is tendered or the shortage is more than 10 percent of a monthly premium, the applicant will be asked to submit the amount of shortage. If the Veteran does not submit the necessary monies by the requested due date, the application will be denied.

   g) The Veteran may request waiver of premium on the S-DVI application or submit VA Form 29-357 Claim for Disability Insurance Benefits in lieu of the initial premium.

2. Waiver of premiums may be granted based on the provisions of 38 U.S.C. 1912. Waivers at the time of application for S-DVI can be approved even if total disability occurred prior to the effective date of the insurance or the insurance has not been in force for six months under premium paying conditions. However, in such cases, total disability must be caused by a service-connected disability.

   Additional information regarding the requirements for waiver of premiums in general, and waiver of premiums on S-DVI at time of application can be found in M29-1, Part IV, Chapter 1, Section 1.09 and M29-1, Part III, Chapter 4, Section 4.02.

***References:***

- 38 U.S.C. 1912: Total Disability Waiver
- 38 U.S.C. 1922(a): Legacy Service-Disabled Veterans' Insurance
- M29-1, Part I, Chapter 15: ARH Insurance
- M29-1, Part IV, Chapter 1, Section 1.09: Determination of Total Disability of Applicant
- M29-1, Part III, Chapter 4, Section 4.02: Evaluation of Evidence

*Circulars & SOPs*

- SOP 29-19-020: Comprehensive Medical Underwriting

*Forms*

- VA Form 29-4364: Application For Service-Disabled Veterans Insurance
- VA Form 29-0165: VA Matic Enrollment/Change
- VA Form 29-357: Claim For Disability Insurance

*User Guides*

- SDVI Intake Process User Guide in VISION and LifePro
- Waiver Application Process User Guide in VISION and LifePro
- Activation of Pending S-DVI Policy in LifePro

## 14.05 EFFECTIVE DATE

a. Generally, S-DVI will be made effective on the date all requirements are met. This means the submission of both application, evidence, and money. If within the time limits set by law a Veteran submits an application, then later the premium or requested evidence, the insurance will be effective as follows:

   1. If the money or evidence is received during the same month of the postmark date of the application, the effective date will be the original application postmark date.

   2. If the money or evidence is received during the month after the postmark date of the application, the effective date will be the 1st of that month.

b. 38 U.S.C. 1922(a) establishes a definite time limit for submitting an application. If the applicant submits an incomplete application or does not remit the premium for the insurance within the established time period, he or she will be allowed 31 days to furnish supplemental information or 15 days to remit the premium. In such cases, the effective date of the insurance is the date of the incomplete application and not the date the supplemental information or money is received. The effective date of an S-DVI policy cannot be later than the last day in the eligibility period. A health certification is not needed for the supplemental information. If the insured fails to respond to the request for supplemental information or premium by the required due dates, the application will be denied.

c. The effective date may not be prior to the date of discharge if all other requirements are met.

d. When an application and the required premium for insurance are submitted to VA within the 2-year eligibility period and prior to December 31, 2022, the effective date of the insurance may be established as follows:

   1. The postmark date of the application. When a postmark date is not available, it will be the date of signature.

   2. The date of submission of application listed on the electronic application.

***References:***

- 38 U.S.C. 1922: Legacy Service-Disabled Veterans' Insurance

*Circulars & SOPs*

- SOP 29-19-020: Comprehensive Medical Underwriting

*Forms*

- VA Form 29-4364: Application For Service-Disabled Veterans Insurance
- VA Form 29-0165: VA Matic Enrollment/Change
- VA Form 29-357: Claim For Disability Insurance

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## 14.06 AMOUNT OF INSURANCE

Application for S-DVI insurance must be made in multiples of $500 and not less than $ 1,000; however, it is not permissible for a person to carry Government Life Insurance (either NSLI, USGLI, or both) in excess of $10,000 at any one time. The amount of paid-up additions purchased from dividends, Supplemental S-DVI, Veterans' Mortgage Life Insurance, Servicemembers' Group Life Insurance and Veterans' Group Life Insurance is not considered in the $10,000 maximum. In order to determine that the statutory coverage limit will not be exceeded based on existing coverage in force, the following must be included:

a. The face amount of any Government Life Insurance contract in force under premium-paying conditions including waiver of premiums under 38 U.S.C. 1912.

b. The face amount of any Government Life insurance contract providing protection under the extended insurance provision.

c. The paid-up amount of any Government Life Insurance excluding the amount purchased by dividends for paid-up addition.

d. 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.

e. An RH policy may be issued notwithstanding the applicant is receiving payments from maturity of a USGLI policy based on total permanent disability. The amount of insurance on the RH policy is limited to the nearest multiple of $500 in the difference between $10,000 and the commuted value of the USGLI insurance which would have been available to the insured on the effective date of the RH policy had he or she recovered from the total permanent disability at that time. This method of computation will provide assurance that the $10,000 statutory maximum is not exceeded in regard to life insurance coverage.

f. Policyholders insured under S-DVI's Reduced Modified Life Plan are given the opportunity to apply for an additional Special Ordinary Life Policy (SPOL) to replace their reduced coverage. The S-D-VI policy contract guarantees the insured the ability to get SPOL when their face amount of coverage reduces. Adding a SPOL plan does not constitute an issuance of new S-DVI policy under section 1922 and is still applicable following the issuance of VALI policies.

***References:***

- 38 U.S.C. 1912: Total Disability Waiver

## 14.07 STATUTORY DISABILITY INSURANCE

a. If a Veteran meets all eligibility requirements and has a statutory disability rating under 38 U.S.C. 1914, documented in VA systems, and has been totally disabled prior to age 65, the following rules apply:

   1. A $10,000 20-Payment Life insurance policy minus the amount of any existing NSLI/USGLI in force, excluding any paid-up additions will be issued, provided the 20-year period does not exceed the age of maturity. In such cases, an Ordinary Life policy will be issued.

b. If a Veteran meets all eligibility requirements and has a statutory disability rating under 38 U.S.C. 1914, documented in VA systems, and was not totally disabled prior to age 65, they can be approved for S-DVI, but cannot obtain waiver of premiums.

c. If a Veteran meets all eligibility requirements and is determined to be totally disabled for insurance purposes, the following rules apply:

   1. In lieu of the plan and amount of insurance applied for, a $10,000 20-Payment Life policy (minus the amount of any existing NSLI/USGLI in force), will be issued, provided the 20-year period does not exceed the age of maturity. In such cases, an Ordinary Life policy will be issued.

   2. Waiver of premiums is granted effective as of the effective date of insurance (the 6-month waiting period does not apply). The policy, and a detailed letter explaining the action that was taken and the reason for it, are mailed to the insured.

***References:***

- 38 U.S.C. 1914: Statutory Total Disability

## 14.08 (DELETED)

## 14.09 TERMS AND CONDITIONS OF INSURANCE CONTRACTS ISSUED UNDER 38 U.S.C. 1922(a)

Insurance granted under the provisions of 38 U.S.C. 1922(a) is issued under the same terms and conditions as are contained in the standard policies of NSLI, except as follows:

a. The premium rates and all cash, loan, paid-up, and extended insurance values shall be based on the Commissioners 1941 Standard Ordinary Tables of Mortality with interest at the rate of 2.25 percent per annum.

b. All settlements on policies involving annuities shall be calculated on the basis of the Annuity Table for 1949 with interest at the rate of 2.25 percent per annum.

c. Insurance granted under the provisions of this section shall be on a non-participating basis and all premiums and other collections shall be credited directly to a separate fund in the Treasury of the United States, to be known as the Service-Disabled Veterans' Insurance Fund (RH Fund).

d. The total disability income provision is not available under SDVI, See 38 U.S.C. 1915.

***References:***

- 38 U.S.C. 1922(a): Legacy Service-Disabled Veterans Insurance
- 38 U.S.C. 1915: Total Disability Income Provision

## 14.10 BENEFICIARY AND OPTION ELECTIONS

The regular rules for beneficiary and option elections apply to S-DVI, except when a legal guardian files an application for S-DVI insurance on behalf of an incompetent Veteran, the beneficiary will always be the estate of the insured. If any other beneficiary is named by the legal guardian, he or she will be advised that it is not acceptable, and the estate of the insured will be the beneficiary.

***References:***

- M29-1, Part I, Chapter 26: Beneficiary and Option Settlement
- M29-1, Part II, Chapter 15: Beneficiary and Option Designations
- M29-1, Part VI, Chapter 16: Beneficiaries

## 14.11 CONTINUING WAIVER OF PREMIUMS UNDER 38 U.S.C. 1912 ON INSURANCE PREVIOUSLY ISSUED OR EVIDENCE INDICATES

### POSSIBLE ENTITLEMENT TO WAIVER OF PREMIUMS BUT NO REQUEST FOR WAIVER IS OF RECORD

When an application for S-DVI is approved and the records indicate a continuing waiver of premiums under 38 U.S.C. 1912 on insurance previously issued, or the medical evidence of record indicates possible entitlement to waiver of premiums but no claim for waiver has been received, the Insurance Claims Section will review all available evidence, including evidence in VA systems and/or additional evidence requested from the insured, to make a determination on waiver of premiums.

***References:***

- 38 U.S.C. 1912: Total Disability Waiver

## 14.12 ISSUE OF ENDOWMENT PLAN-APPLICANT TOTALLY DISABLED

a. An endowment plan will not be issued to an applicant who is totally disabled on the date he or she applies for the insurance.

b. If, within 30 days of the original effective date, it is found that S-DVI was issued on an endowment plan through administrative error, or otherwise, not involving fraud on the part of the insured, while he or she was totally disabled, Live Claims will contact the Veteran and inform him/her of the error and the new plan of insurance that is being issued based on the Veteran's age.

   ***NOTE****: Generally, a 20-Payment Life plan will be issued; however, if the premium payment period would exceed the age of maturity, the insured should be issued an Ordinary Life plan.*

c. If an insured was approved for an endowment plan and was not totally disabled at time of issue, but later becomes totally disabled and eligible for waiver of premiums, the insured will be allowed to maintain the endowment plan.

## 14.13 NOTIFICATION TO VETERAN OF POSSIBLE ELIGIBILITY FOR S-DVI

a. VA systems automatically release VA Form 29-0151, Application for S-DVI, upon determination of a new VA rating for service connection.

b. VA Form 29-4364, Application for S-DVI, is available on VA Insurance's website or upon request in paper form from the Insurance Center.

c. If the Veteran is rated incompetent by VA, the field examiner of Fiduciary Service will advise the appointed fiduciary of the availability of S-DVI if the Veteran remains eligible.

***References:***

*Forms*

- VA Form 29-4364: Application for Service-Disabled Veterans Insurance

## 14.14 SUPPLEMENTAL SERVICE-DISABLED VETERANS' INSURANCE (38 U.S.C 1922A)

a. An SDVI insured who is approved for a waiver of premium under 38 U.S.C. 1912 may be eligible for up to $30,000 of Supplemental S-DVI (S-SDVI).

b. Supplemental S-DVI can be issued in increments of $500, but not less $1,000, and not to exceed $30,000. S-SDVI shall be granted upon the same terms and conditions as insurance granted under S-DVI.

c. An S-DVI insured will be sent an application for S-SDVI (VA Form 29-0188/0189) at the time waiver of premiums is approved, as long as the insured is under age 65. The insured must apply for the insurance within the lesser of either:

   1. One year from the date of notification letter granting waiver of premiums and prior to December 31, 2022, or

   2. Prior to age 65.

d. Waiver of premiums will not be granted for S-SDVI policies.

***References:***

- 38 U.S.C. 1922A: Legacy Supplemental Service Disabled Veterans' Insurance for Totally Disabled Veterans
- 38 U.S.C. 1912: Total Disability Waiver

*Forms*

- VA Form 29-0188: Application for Supplemental Service-Disabled Veterans Insurance (SRH)
- VA Form 29-0189: Application for Supplemental Service-Disabled Veterans (SRH) Life Insurance

*User Guides*

- SRH Intake Process User Guide in VISION and LifePro

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**Publication Date:** October 8, 2021

### 15.01 GENERAL (38 U.S.C. 1922(b))

Any person who, on or after April 25, 1951, was otherwise qualified for insurance under the provisions of 38 U.S.C. 1922(a), but who did not apply for such insurance and who is shown by evidence satisfactory to VA:

a. To have been mentally incompetent from a service-connected disability:

   1. At the time of release from active service, or

   2. During any part of the 2-year period from the date the service connection of a disability is first determined by VA, or

   3. After release from active service but is not rated service-connected disabled by VA until after death; and

b. To have remained continuously so mentally incompetent until date of death; and

c. To have died before the appointment of a guardian, or within 2 years after the appointment of a guardian; shall be deemed to have applied for and to have been granted such insurance as of the date of death.

**NOTE 1**: SRH insurance provided under 38 U.S.C. 1922A cannot be issued to any recipient of ARH insurance. See 38 CFR 8.34.

**NOTE 2:** ARH insurance was replaced by VALI and will no longer be issued after December 31, 2022 as noted under 38 U.S.C. 1922(d)(3). See also 38 U.S.C. 1922B.

***References:***

- 38 U.S.C. 1922: Legacy Service-Disabled Veterans' Insurance
- 38 U.S.C. 1922A: Legacy Supplemental Service-Disabled Veterans' Insurance for Totally Disabled Veterans
- 38 U.S.C. 1922B: Service Disabled Veterans Insurance
- 38 CFR 8.34: Ineligibility for Insurance Under 38 U.S.C. 1922A (Supplemental-Service Disabled Veterans' Insurance) If Person Insured Under 38 U.S.C. 1922(b)

## 15.02 REQUIREMENTS

a. Submission of a Claim for ARH Insurance Benefits: The claim must be submitted to VA within 2 years after the date of death of the Veteran. Persons shown to be mentally or legally incompetent at the time the right to submit the claim for the insurance benefits expires may submit the claim within 1 year after the removal of such disability. The claim must be submitted by the person who is the legal beneficiary of the Veteran.

   **NOTE:** ARH insurance was replaced by VALI and will no longer be issued after December 31, 2022 as noted under 38 U.S.C. 1922(d)(3). See also 38 U.S.C. 1922B.

b. Premium: Premium payment is not required.

c. Date Used for Proof of Good Health: The date to be used for determining whether the Veteran was insurable according to the standards of good health established by VA, except for the service-connected disability, shall be the date of release from active service or the date the Veteran became mentally incompetent, whichever is later.

## 15.03 AMOUNT OF INSURANCE

ARH will be granted in an amount which, together with any other National Service Life Insurance in force (excluding paid-up additions) on the day of death of the Veteran, shall aggregate $10,000. Beneficiaries granted ARH are not eligible for additional insurance through Supplemental Service-Disabled Veterans Insurance (SRH). See 38 CFR 8.34.

***References:***

- 38 CFR 8.34: Ineligibility for Insurance under 38 U.S.C. 1922A (Supplemental Service-Disabled Veterans' Insurance) if Person Insured Under 38 U.S.C. 1922(b)

## 15.04 EFFECTIVE DATE

The effective date of ARH insurance is the date of death of the veteran.

## 15.05 BENEFICIARY AND OPTION SELECTION

a. Payment of ARH insurance shall be made only to the following beneficiaries in the order named:

    1. To the surviving spouse of the insured, if living and while not remarried;

    2. If no surviving spouse entitled thereto, to the child or children of the insured, if living, in equal shares;

    3. If no surviving spouse or child entitled thereto, to the parent or parents of the insured who last bore that relationship, if living, in equal shares.

b. Relationship of the applicant shall be proved as of the date of death of the insured by evidence satisfactory to VA.

c. Beneficiaries are paid only through a lump sum payment.

## 15.06 ISSUANCE

The Rating Activity will make the decision as to whether gratuitous insurance (ARH) will be granted. The Death Claims Division will assign the (ARH) policy number.

These actions need to be taken when the Insurance Center receives an application for ARH:

a. Live Claims

    1. The Insurance Specialist will refer all applications of deceased veterans to a Senior Veterans Claims Examiner (SVCE) in the Death Claims Division for ARH review.

    2. The Insurance Specialist will release a RH Disapproval letter to the applicant and send to Death Claims.

        **NOTE**: An application may be routed directly to Death Claims instead of through Live Claims. However, in cases where Live Claims receives the application first, this first step should be taken.

b. Death Claims

    1. The SVCE will review documentation and VA systems to determine if ARH Insurance requirements are met.

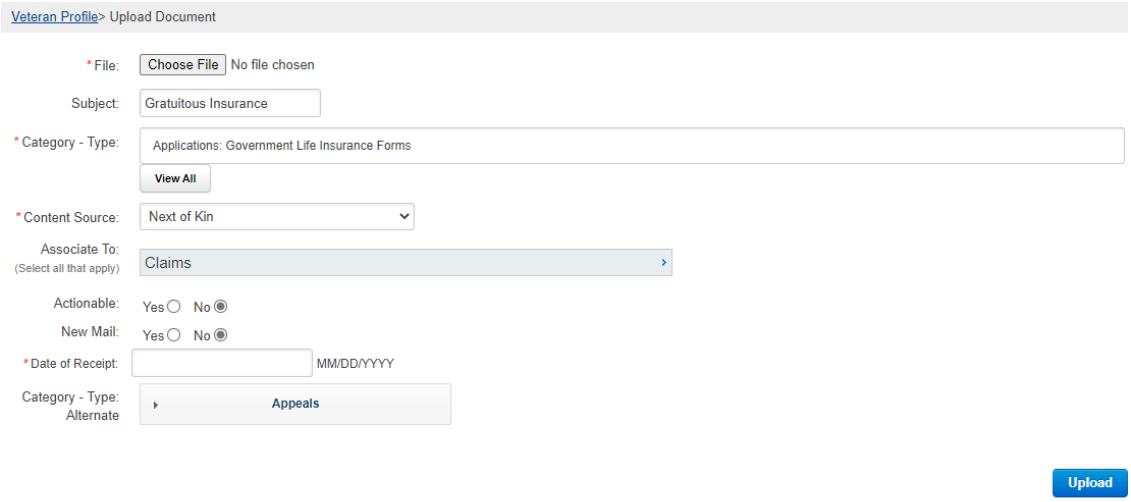
    2. If requirements are met, all documents will be collected and submitted to the Insurance Claims Division Section Chief with a request to upload the evidence into VBMS. The request should include the Veteran's name, insurance file number and VA claim number as well as the name of SVCE requesting the upload.

    3. The Section Chief will upload the evidence into VBMS by completing the following steps:

        a. Navigate to the eFolder of the correct Veteran
        b. Select the "Actions" dropdown and click on "Upload Document"

c. Select "Choose File" and browse to the files to upload
d. Under "Subject" enter "Gratuitous Insurance"
e. Under "Category – Type" select "Applications: Government Life Insurance Forms"
f. Under "Source" select "Next of Kin"
g. Under "Date of Receipt" enter the postmark date of the evidence
h. Click "Upload"

A picture of the fields noted above is provided for reference below:




4. Once completed, the Section Chief will notify the SVCE that all documentation is now available in VBMS.

5. The SVCE will then proceed with the following steps:

   a. Compose an email requesting the need for a rating decision under 38 U.S.C. 1922(b) based on receipt of an application for gratuitous insurance (ARH). The email must include the 2105 memo and information on any additional relevant evidence.

   b. Send the request via email to the designated Philadelphia Veterans Service Center's Rating Veterans Service Representative (RVSR) copying the VSC mailbox at VAVBAPHI/RO/ADJ.

   **NOTE**: If all requirements are met under 15.01 of this chapter AND VA systems show that the deceased Veteran was rated incompetent from a service connected disability prior to death, the SVCE should not contact the VSC and should proceed with the application by completing the ARH Administrative Review Decision and proceeding to 15.06(d).

6. The SVCE will notify the applicant their ARH inquiry is being reviewed. If disapproved, applicant will be notified.

c. Rating Activity

1. The RVSR will make a final decision regarding incompetency and entitlement to ARH Insurance following the steps under M21-1, Part X, Subpart ii, 6.G.1g.

2. The RVSR then notifies the SVCE from Death Claims of their decision(s).

d. Death Claims - Post-VSC Decision

1. SVCE will assign an ARH Insurance number. Policy numbers start with ARH 1001.

2. SVCE refers the case to a Lead Claims Adjustment Technician (LCAT) to build the policy.

3. SVCE will then authorize payment to applicant.

***References:***

- M21-1, Part X, Subpart ii, 6.G: Competency Determination for the Insurance Center (IC)

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## Part I Chapter 16 - Total Disability Income Provision (NSLI To Include VRI/VSLI)


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**Publication Date:** May 16, 2019

### 16.01 GENERAL

a. Total disability, as referred to in connection with an NSLI total disability income provision, is any impairment of mind or body which continuously renders it impossible for the insured to follow any substantially gainful occupation. An insured who became totally disabled receives a monthly income, and payment of premiums is waived on the TDIP as well as on the insurance policy to which it is attached. The TDIP rider contains no occupational restrictions or travel limitations.

b. Without prejudice to any other cause of disability, the permanent loss of the use of both feet, or both hands, or of both eyes, or of one foot and one hand, or of one foot and one eye, or one hand one eye, or the total loss of hearing of both ears, or the organic loss of speech, shall be deemed to be statutory total disability for NSLI purposes. Also, if an award on TDIP has been continuously in force for 20 or more years it shall not be

terminated except upon a showing that the total disability determination was based on fraud.

c. When the TDIP has been added and later it is determined that the insured was totally disabled before the effective date of the provision, the TDIP is incontestable, except where fraud is involved. However, no monthly disability benefits can be paid thereunder because of total disability commencing before the date of application or the effective date of the provision. In such case, the insured may continue the TDIP in force if he so desires, by payment of the necessary premiums, as protection against any new total disability that may occur. However, recovery must be made from the existing total disability. The insured will be advised that it is his/her privilege to request that the TDIP be canceled, as of the effective date of the provision and the premiums refunded.

d. TDIP cannot be added to an RH insurance policy. Also, TDIP may not be added to an NSLI policy under extended term insurance or reduced paid-up insurance.

e. When an insurance policy with a TDIP rider is surrendered for reduced paid-up insurance, the TDIP may be continued on the reduced paid up insurance. The TDIP must be in multiples of $500, but not less than $ 1,000 and the amount of the rider shall be the highest multiple of $500 that does not exceed the amount of the reduced paid-up insurance. If the amount of insurance on a reduced paid-up policy is less than $1,000, the TDIP rider may riot be carried over from the parent policy. The basic premium for the TDIP rider on a reduced paid-up NSLI policy, per $ 1,000 of protection, will be the same as for the rider on the parent policy.

f. To have been eligible for TDIP, the applicant must have been in good health for insurance purposes. Good health requirements were not waived even though the disability is service-connected. However, prior to January 1, 1950, when it was determined an applicant for NSLI TDIP was in good health except for a service-connected disability, a special $5 age 60 TDIP was issued. These riders were identified with the letters "HD" The premium for this disability coverage was credited directly to the NSLI appropriation and all HD TDIP claims were paid from that appropriation. All other $5 age 60 TDIP riders were identified with the letters "ND". Prior to October 28, 1948, protection ceased on all $5 age 60 TDIP riders on the insured's 60th birthday. On and after that date the protection ceased as of the anniversary date nearest the insured's 60th birthday.

g. Insurance that was surrendered after April 24, 1951, and before January 1, 1957, could have been reinstated or replaced without proof of good health, if all other requirements were met. If a $5 age 60 TDIP rider was in force on the date the insurance was surrendered, it could have been reinstated or replaced without proof of good health. (38 U.S.C. 1981)

h. Application for an NSLI $10 age 65 TDIP rider must have been submitted before the insured's 55th birthday. Prior to January 1, 1966, the application must have been submitted before the insured's 60th birthday.

i. NSLI policyholders who had a $5 or $10 age 60 TDIP rider were required to surrender it if they applied for and were issued the $10 age 65 TDIP. If they preferred, they could have kept the $5 or $10 age 60 TDIP, even upon conversion to a permanent plan. All $5 age 60 TDIP riders (ND) where the insurance age was 41 or over, and $5 age 60 TDIP riders (HD), for all ages, could have been exchanged for a $10 age 65 rider before the insured's 55th birthday upon submission of a full medical examination and meeting all

other requirements. If good health requirements were met, a standard rider was issued to replace the "HD" rider. Where the insurance age was under 41, the $5 age 60 TDIP rider "ND" could have been exchanged for the $10 age 65 TDIP rider by submitting a nonmedical application. The $10 age 60 TDIP could have been exchanged for a $10 age 65 TDIP without evidence of good health unless the applicant was totally disabled.

***References:***

- 38 U.S.C. 1981: Replacement of Surrendered and Expired Insurance

## 16.02 AMOUNT

Life TDIP was issued in multiples of $500, but not less than $1,000, nor more than the amount of insurance to which it was attached. However, in certain instances an odd amount of TDIP was continued in force. This happened when the amount of insurance and TDIP were reduced to the exact amount paid for on a date of birth and age correction. TDIP may not be continued in force for less than $ 1,000.

## 16.03 EFFECTIVE DATE OF ISSUE

The effective date of the TDIP was:

a. The same date the policy became effective, if the policy and TDIP were applied for at the same time, and all requirements were met. The effective date of the TDIP could not be more than 31 days from the date of the physical examination report or health statement.

b. The last prior premium due date, if the policy was dated back or had been previously issued, and all requirements were met; except that when application was sent to VA on a premium due date, the TDIP was effective as of that date.

c. Prior to January 1, 1965, the TDIP effective date segment of the master records on the term plan was changed to the 1965 policy anniversary date. In addition, the TDIP age was changed to show the age on the birthday nearest the 1965 policy anniversary. The effective date and age on these policies is not changed on subsequent renewals.

## 16.04 AGE

a. Permanent Plan

    1. When application for TDIP was made at the same time as for the insurance or subsequent to the effective date of the insurance policy, the TDIP premium rate was based on the insured's age on his or her birthday nearest the effective date of the TDIP.

b. Term Insurance

    1. When TDIP was added to a term policy on a date other than the last renewal date, the TDIP premium rate was based on the insured's age at renewal. At the next renewal, the age for the TDIP was the same as the insurance age. The $10 age 65

TDIP rates on term insurance after age 55 are the same as TDIP rates on Ordinary Life.

## 16.05 BENEFITS

a. $5 Age 60 TDIP-This provision was available from August 1, 1946 to November 1, 1958, with exception of those insureds with service-incurred injury or disability who had only until January 1, 1950 to apply. The latter were classified as HD riders. The provision provides a monthly income of $5 for each $ 1,000 of insurance in force, as long as the insured is totally disabled, provided total disability began before the insured's 60th birthday or the anniversary date of the policy nearest the 60th birthday, whichever is later, and the insured remains so disabled for at least 6 consecutive months. The 6-month period could extend beyond the insured's 60th birthday or the anniversary date of the policy nearest the 60th birthday, whichever was later.

b. $10 Age 60 TDIP-This provision was available from November 1, 1958, to January 1, 1965. It provides a monthly income of $10 for each $1,000 of insurance in force, as long as the insured is totally disabled, if total disability began before his or her 60th birthday and continued for at least 6 consecutive months. The 6-month period could extend beyond the 60th birthday.

c. $10 Age 65 TDIP-This provision became effective January 1, 1965. It provides a monthly income of $10 for each $1,000 of insurance in force, as long as the insured is totally disabled, if the total disability began before his or her 65th birthday and continued for at least 6 consecutive months. The 6-month period could extend beyond the 65th birthday.

d. Monthly Payments-The monthly income payments described above began with the first day of the 7th consecutive month of continuous total disability and continue for as long as the insured remains totally disabled. These monthly payments do not reduce the face amount of the policy.

e. Waiver of Premiums-Payment of premiums on this provision will be waived during continuous total disability beginning with the first monthly premium due after the start of disability. Premiums paid to cover a period during which the waiver is effective will be refunded in cash, without interest.

## 16.06 PREMIUM RATES

a. TDIP premium rates on term riders will be obtained from the Actuarial Staff.

b. Premiums for $5 age 60 TDIP (HD) riders will be furnished by the Actuarial Staff.

## 16.07 REQUIREMENTS FOR ADDING AND EXCHANGING TDIP

a. Applications for TDIP should have been made on forms prescribed by the VA, whenever possible. However, any statement in writing over the signature of the insured giving the essential information, together with evidence of good health, was considered as a qualifying application. The prescribed forms were:

1. VA Form 29-1606, Application for Total Disability Income Provision (Medical), for all NSLI applicants age 41 (more than 6 months after their 40th birthday) and over for the $10 age 65 rider. This form was also used by an applicant age 41 and over for exchange of a $5 age 60 ND rider and for exchange of a $5 age 60 HD rider, regardless of age, for the $10 age 65 TDIP and by all applicants for USGLI TDIP.

2. VA form 29-1606a, Application for Total Disability Income Provision (Nonmedical) for NSLI applicants age 40 within 6 months after their 40th birthday and under. This form was also used by an applicant age 40 and under to exchange a $5 age 60 ND rider for the $10 age 65 TDIP. A medical examination would not be required for these insureds unless there was a medical history, or a condition existed which was questionable for disability insurance purposes.

3. VA Form 29-467a, Application for Exchange of Total Disability Income Provision, for those NSLI policyholders who wanted to exchange their $10 age 60 TDIP for the $10 age 65 TDIP. No evidence of good health was required but the applicant could not have been totally disabled and the exchange must have been made before his 55th birthday.

b. Premiums. Payment of the first monthly premium for the TDIP must have accompanied the application, or have been of record.

## 16.08 TERMINATION OF TDIP

a. The protection afforded by TDIP will cease under any of the following conditions:

1. Insured attains age specified in rider and is not totally disabled.

2. Basic insurance policy lapses.

3. TDIP rider lapses.

4. Cancellation of TDIP rider requested by insured.

   (a) The effective date of change for the cancellation will be the due date of the premium for the premium month in which the request was submitted, if the total disability income provision premium for that month has not been paid. If total disability income provision premium for that month has been paid, the effective date of change will be the next premium due date.

   (b) Total disability income provision premiums paid and earned prior to the effective date of change for the cancellation are not subject to refund.

5. Cancellation of basic insurance with no cash value requested by insured.

6. Policy matures as an endowment and insured is not totally disabled.

7. Policy surrendered for cash or extended insurance.

8. Policy surrendered for paid-up insurance of less than $1,000

9. Death of insured.

10. VA makes a determination of fraud by the insured in the application for the insurance or the TDIP.

## 16.09 GRACE PERIOD

Upon termination of a TDIP award the insured will be allowed a grace period of 31 days from the due date of the first premium payable after such termination or 31 days from the date of notice mailed to the insured's last address of record, advising him of the termination of the award and the amount and due date of the first premium payable, whichever is the later date. If the premiums are not paid within the 31 days, the insurance policy and the TDIP shall lapse in accordance with the terms and conditions of the policy and the provision. The notice sent to the insured shall be by registered mail. The failure of the insured to furnish a correct current address where mail will reach him or her promptly shall not be grounds for an extension of time.

## 16.10 REDUCTION AND TDIP

a. When a policy with TDIP is reduced in amount, the effective date and age on the TDIP will not change.

b. The amount of the TDIP premium will be at the same rate as that on the original contract and will be adjusted in proportion to the amount of insurance continued.

## 16.11 CHANGE OF PLAN AND TDIP

a. When a permanent plan with TDIP is changed to another plan, the effective date of the rider will not be changed. In most cases, there will be an adjustment in TDIP premiums from the effective date of the rider to the date of change. This adjustment must be paid when the change is made. Thereafter, the rider will have a new premium.

b. After limited-payment life contracts become paid-up by payment of all the required premiums, the insured may change the plan to a higher or lower reserve plan, provided all other requirements are met. Also, if the paid-up limited-payment life policy had a 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.

# Key Changes

| | |
|---|---|
| **Rescissions** | M29-1, Part 1, Chapter 17 is being removed in its entirety as it is no longer applicable to the Insurance programs. |
| **Authority** | By Direction of the Under Secretary for Benefits |
| **Signature** | Vincent E. Markey, Director<br>Insurance Service |
| **Distribution** | LOCAL REPRODUCTION AUTHORIZED |

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**Publication Date:** October 22, 1978

## 18.01 GENERAL

a. Five-Year Level Premium Term and 5-Year Limited Convertible Term insurance, in force under premium paying conditions, may be converted, wholly or in part, in multiples of $500 but not less than $1,000, to the various permanent plans of insurance available under the same insurance program.

b. RS insurance (38 U.S.C. 1923(a)) which has been exchanged for W 5-Year Limited Convertible Term insurance (38 U.S.C. 1923(b)) cannot be renewed after the policyholder's 50th birthday; therefore, if the insured wants to retain the insurance he or she must convert it to one or more permanent plans before the termination date of the final term period. One year before the final termination date of the W term policy, the insured is sent a notification alerting him or her of the necessity of converting the policy if he or she wants to continue the protection. Another notification is sent 90 days before termination of the term policy. If the insured does not take action to convert the term (policy,] it will expire at the end of the term period. However, when an insured with a W term policy does not convert the insurance on or before the [expiration] date of the final term period and it is determined the 90-day notification was not sent, or the insured continues to pay the term premiums which are retained by the VA, the insured will be allowed 31 days from the date of notice to meet conversion requirements. The effective date of the permanent plan will be the day following the expiration date of the final term period. Premiums paid and accepted after the expiration date of the final term period are earned premiums and are not subject to refund or credit.

b. If the premiums for the W term policy are being paid by disability waiver on the final termination date, the insurance will not be terminated. If the notifications were sent to the insured and no reply is received, the W term policy will be converted to Ordinary Life. However, if it is determined that the 90 day notification was not sent to the insured and the insured has not applied for conversion, he or she will be notified by letter of the necessity of conversion and allowed 31 days from the date of the letter to meet the conversion requirements. If no reply is received from the insured, the conversion to Ordinary Life will be processed.

c. When two or more 5-LPT policies with paid-up additions are consolidated and converted, the paid-up additions will also be consolidated and retained as part of the new permanent plan.

d. When a policy with paid-up additions is split into two or more policies, the paid-up additions will be split proportionately. If the amount of paid -up additions to be split is an odd amount, the parent policy will be assigned the extra dollar.

e. When a 5-LPT policy with paid-up additions is converted to an endowment plan, dividends earned after the conversion will be applied to purchase paid-up endowment additions. This will result in two paid-up additions segments; the paid-up life additions purchased before the conversion and the paid-up endowment additions purchased after the conversion.

***References:***

- 38 U.S.C. 1923: Veterans' Special Life Insurance

## 18.02 REQUIREMENTS

a. Current Conversion

(1) Application, formal or informal, furnishing the required information.

(2) If disability waiver is not in force, payment sufficient for one monthly premium on the new policy.

b. Antedated Conversion

(1) Application, formal or informal, furnishing the required information.

(2) Payment sufficient to pay the reserve on the new policy from the effective date of the new policy to 1 month prior to the effective date of change.

(3) If disability waiver is not in force, payment sufficient for one monthly premium on the new policy.

## 18.03 APPLICATIONS

a. Application for conversion, whenever practical, should be submitted on one of the following forms:

(1) VA Form 29-358, Application for Conversion. (USGLI and NSLI)

(2) VA Form 29-358a, Application for Exchange to Special Endowment at Age 96 Plan. (USGLI only for insurance age 65 and older)

b. An informal application, over the signature of the insured or his or her (legal] guardian, furnishing the required information, may be considered as a qualifying application.

c. As term policies approach the renewal date, an appropriate application for conversion is sent to the insured.

## 18.04 PERMANENT PLANS AVAILABLE BY CONVERSION

a. National Service Life Insurance

(1) Modified Life-Age 65

(2) Modified Life-Age 70

(3) Ordinary Life

(4) 20-Payment Life

(5) 30-Payment Life

(6) 20-Year Endowment

(7) Endowment at Age 60

(8) Endowment at Age 65

b. United States Government Life Insurance

(1) Ordinary Life

(2) 20-Payment Life

(3) 30-Payment Life

(4) 20-Year Endowment

(5) 30-Year Endowment

(6) Endowment at Age 62

(7) Special Endowment at Age 96

c. Plans Not Available at Certain Ages

(1) Under the USGLI program, conversion to the Special Endowment at Age 96 plan is not permitted until the insured has reached his or her 65th birthday.

(2) Under the NSLI (V-H-RH-W) program, conversion to the Modified Life plans must be made before [the following ages:

(a) On the Modified Life-Age 65 plan, before insurance age 61. (VA Regulation 3512.2) However, if the application is submitted during the latter half of the applicant's 60th year of age (issue age 61) and there is evidence that the application was submitted late because the applicant was confused by the instructions, the conversion will be approved and the policy antedated to the latest possible effective date to conform to the regulation.

(b) On the Modified Life-Age 70 plan, before insurance age 70; that is, applications are acceptable up to the end of 6 months following the applicant's 69th birthday.

(3) Under the USGLI and NSLI (V and H) programs, if the issue age of the insured on the effective date of the permanent plan policy is 66 or older, the insured may not convert to the 30-Payment Life or the 30-Year Endowment plan of insurance. If his or her age is 76 or older, he or she may not convert to the 20-Payment Life or the 20-Year Endowment plan of insurance.

(4) Under the NSLI (RH) program, if the issue age of the insured on the effective date of the permanent plan policy is 70 or older, the insured may not convert to a 30-Payment Life plan of insurance. If his or her age is 80 or older, he or she may not convert to the 20-Payment Life or the 20-Year Endowment plan of insurance.

(5) Under the NSLI (RS-W) program, if the issue age of the insured on the effective date of the permanent plan policy is 71 or older, the insured may not convert to a 30-Payment Life policy. If his or her age is 81 or older, he or she may not convert to the 20-Payment Life or the 20-Year Endowment plan of insurance.

## 18.05 EFFECTIVE DATES

a. Current Effective Date. The premium due date of the premium month in which the application is submitted, or the next following premium due date.

b. Future Effective Date. The date a future premium becomes due after the next following due date. This date must be not later than the 4th month after the postmark date of the application.

c. Intermediate Effective Date. The date any past premium became due within any term period, providing it would not result in the contract maturing as an endowment within 2 months of the effective date of the change. Under the NSLI program, it is not permissible to antedate a conversion to a younger age to qualify for a Modified Life plan of insurance, nor is it permissible for a USGLI policyholder to antedate an exchange to an age younger than 65 when exchanging to the Special Endowment at Age 96 plan of insurance.

d. Original Effective Date. The effective date of the original term contract. The permanent plan policy may not be antedated prior to the effective date of the original term contract.

e. When a conversion is processed with an effective date different from the one applied for, the insured will be advised of the reason. He or she will also be informed that if VA action is not agreeable, further requirements will be sent upon request.

## 18.06 RESERVE

a. On an antedated conversion, the reserve or the difference in reserve may be paid by a direct payment or by a direct payment and a loan on the new contract, if the new contract is antedated 12 months or more. The amount of reserve or the difference in reserve must be paid in full. No shortages will be allowed.

b. If the term insurance premiums are being waived or have been waived during the current term period under 38 U.S.C. 1924, no reserve credit will be allowed on the term contract.

c. Usually the reserve on the term contract is used as a credit on the initial premium for the new contract. However, if no premiums are due because of disability waiver (38 U.S.C. 1912 or 1948) or it is not administratively possible to apply the credit when premiums are being paid by allotment, deduction from benefit payments or payroll deduction accounts, the reserve credit (if $1 or more) will be paid to the insured. Any reserve that is less than $1 will be held as a premium credit.

d. The fractional reserve values for the various funds may be determined from the applicable tables in the following manuals:

(1) K-M29-4, part II

(2) V or H-M29-2, part III A

(3) RS or RH-M29-6, parts I and II

(4) W-M29-8, part III

***References:***

- 38 U.S.C. 1924: In-Service Waiver of Premiums
- 38 U.S.C. 1912: Total Disability Waiver
- 38 U.S.C. 1948: Total Disability Provision

## 18.07 CONVERSION WHILE INSURED IS TOTALLY DISABLED

a. National Service Life Insurance

(1) Upon application by the insured, a term policy on which premiums are being waived under 38 U.S.C. 1912 may be converted to any of the permanent plans except an endowment plan.

(2) Upon application by the insured, a term policy on which premiums are being waived under 38 U.S.C. 1912 and payment is being made under total disability income rider may be converted to any of the permanent plans except an endowment plan.

(3) Premiums on the converted policy will continue to be waived and the disability income paid as long as the insured remains totally disabled.

(4) Conversion as of a prior effective date may be made by payment of the difference in reserve. The waiver of the new premium on the converted plan will be effective as of the next premium due.

b. United States Government Life Insurance

(1) Upon application by the insured, a term policy on which premiums are being waived under 38 U.S.C. 1948 (if the insured is not totally and permanently disabled) may be converted to any of the permanent plans including endowment plans.

(2) Premiums on the converted policy will continue to be waived and the disability income paid so long as the insured remains totally disabled.

(3) Conversion as of a prior effective date may be made by payment of the difference in reserve. The waiver of the new premium on the converted plan will be effective as of the next premium due.

***References:***

- 38 U.S.C. 1912: Total Disability Waiver
- 38 U.S.C. 1948: Total Disability Provision

*User Guides*

- Waiver Application Process User Guide in VISION and LifePro

## 18.08 EFFECTIVE DATE OF CHANGE/EFFECTIVE DATE

The effective date of change for conversion will always be the premium due date and will be determined as follows:

a. Use the premium due date of the premium (not calendar) month in which the request for conversion is submitted, governed by the postmark date if mailed, by the earliest VA receiving stamp date if otherwise delivered, or by the date of execution if received through military channels, if:

(1) Endowment at Age 62

(2) Special Endowment at Age 96

(a) Plans Not Available at Certain Ages

1. Under the USGLI program, conversion to the Special Endowment at Age 96 plan is not permitted until the insured has reached his 65th birthday.

2. Under the NSLI (V-H-RH-W) program, conversion to the Modified Life plan of insurance must be made before insurance age 61. (VA Regulation 3512.2) However, if the application for conversion is submitted during the latter half of the applicant's 60th year of age (insurance age 61) and there is evidence the application was submitted late because the applicant was confused by the instructions, the conversion will be approved and the policy antedated to the latest possible effective date to conform with the regulation.

3. Under the USGLI and NSLI (V and H) programs, if the issue age of the insured on the effective date of

- The premium for that month has not been paid.

- The insured requests that the effective date of the permanent plan be established as of the premium due date of the month in which the application is submitted, even though the premium for that month has been paid. In this event, allow credit for the unearned premium on the amount of insurance converted.

b. Use the premium due date of the next premium (not calendar) month, unless otherwise requested by the insured, if:

(1) The premium for the month in which the request is submitted has been paid. However, if the applicant requests an effective date which is not in order and it is obvious he or she wants a current conversion, the underwriter may establish an effective date that will agree with the status of the term contracting being converted. For example:

**Application mailed**
**9-14-78**
**Requested effective date**
**10-1-78**
**Account paid through**
**8-31-78**

The conversion may be granted with an effective date of September 1, 1978.

**NOTE: The provisions of VA Regulation 3018 for USGLI and VA Regulation 3407.2 for NSLI provide for the acceptance of delayed underwriting applications within 61 days of the due date when accompanied by a premium payment.**

(2) The method of payment is by allotment of service pay, by deduction from any benefits due and payable by the VA, or by payroll deductions.

(3) Premiums on the term contract are being waived under 38 U.S.C. 1912, 1924 or 1948.

c. Use the premium due date indicated by the insured, if the insured requests that the permanent plan become effective as of a premium due date which is later than the next premium due date, provided the effective date requested is not later than the fourth premium due after the postmark date of the application, and all requirements are met.

d. When a term contract that is effective on the 29th, 30th, or 31st day of the month is converted and flare is no corresponding date in the month the change is to be effective and/or in the month the new policy is to be effective, the effective date of change and/or the effective date will be the last day of the month.

***References:***

- 38 U.S.C. 1912: Total Disability Waiver
- 38 U.S.C. 1924: In-Service Waiver of Premiums
- 38 U.S.C. 1948: Total Disability Waiver

## 18.09 CONVERSION-INSURED RATED MENTALLY INCOMPETENT

a. An insured who has been rated mentally incompetent and has no [legal] guardian may apply for conversion of term insurance if he or she possesses sufficient mental capacity to understand the nature of the act. The question as to an incompetent's ability to make such a contract change must be medically determined before processing the application.

b. When a legal guardian has been appointed, application may be made by the legal guardian with the approval of the court of jurisdiction, if required by State laws. Court approval is not required on applications for conversion if premiums are waived because of a statutory disability.

c. When a mentally incompetent insured with a legal guardian signs an application for conversion during a period when he or she is lucid, the legal guardian must also sign the application. In this situation, it is not necessary to prove the mental capacity of the insured.

## 18.10 CONVERSION-38 U.S.C. 1924 (IN SERVICE WAIVER)

Term insurance in force under in-service waiver may be converted, wholly or in part, to any of the permanent plans of insurance available under the same insurance program. The waiver will not be continued on the converted permanent plan. It will be continued on that portion of the term insurance, if $1,000 or more, not converted. The insured Will be advised that the VA is assuming he or she wishes the in-service waiver terminated on the permanent plan. If the insured informs the VA he or she wishes the waiver to continue on the permanent plan, the waiver will be reactivated as of the effective date of the insurance.

***References:***

- 38 U.S.C. 1924: In-Service Waiver of Premiums

## 18.11 MEDICAL EXAMINATION

Conversion may be made without a medical examination, except when it is necessary to determine whether the applicant, requesting conversion of an NSLI term policy to an endowment plan, is totally disabled.

## 18.12 INADVERTENT CONVERSION TO NSLI ENDOWMENT PLAN-INSURED TOTALLY DISABLED

If it is disclosed that term insurance was converted to an endowment plan through administrative error, or otherwise, not involving fraud on the part of the insured, while totally disabled, he or she will be permitted to retain the endowment plan, but will not be eligible at any time during the current period of total disability for waiver of premiums due to being totally disabled when application for conversion to the endowment plan was submitted. The insured will be afforded the privilege of changing the plan of the endowment contract to [any of the life permanent plans,] or reverting to the term insurance, without a physical examination report. This will make it possible to secure a disability premium waiver

for the current period of disability. If the policyholder does not respond to the offer, he or she retains the endowment policy.

## 18.13 CONVERSION TO MORE THAN ONE CONTRACT

A term contract in an amount of $2,000 or more may be converted to more than one permanent plan contract.

## 18.14 PARTIAL CONVERSION

A portion of a term contract may be converted and the remainder allowed to lapse, or all or part of the remaining term insurance may be retained. The amount converted and the amount continued as term insurance must be in multiples of $500 and no policy will be issued for less than $I,000. However, a USGLI term policy that has been rerated after a period of TPD (total permanent disability) may be converted regardless of the amount of term insurance that is available for conversion.

## 18.15 DEATH OF INSURED BEFORE CONVERSION

When an application for conversion is acceptable but the insured dies before the effective date of change, the application will be disapproved.

## 18.16 REPLACEMENT UNDER 38 U.S.C. 1981 AND CONVERSION

Term contracts may be replaced under 38 U.S.C. 1981 and simultaneously converted to a permanent plan.

***References:***

- 38 U.S.C. 1981: Replacement of Surrendered and Expired Insurance

## 18.17 REINSTATEMENT AND CONVERSION

If the term insurance is in a state of lapse, reinstatement requirements must be met before the conversion may be effected. However, it is permissible to reinstate the term insurance and convert to a permanent plan at the same time.

## 18.18 CONSOLIDATION AND CONVERSION

a. Two or more term contracts bearing different effective dates (effective day and/or month and/or year) may be consolidated and converted as of the premium due date (effective day) of the contract bearing the latest effective date (day, month and year). Such consolidated contract may be antedated in the same manner as a single contract, except the effective date may not be earlier than the effective date of the term contract bearing the latest effective date.

b. Term contracts with different premium due dates (effective days) may not be consolidated and converted while disability premium waiver is in effect because a waiver is granted effective as of the monthly anniversary date and is terminated as of the ending date of the insurance premium month. Contracts bearing the same premium due date (effective day) with different effective dates (month and/or year) in force under disability premium waiver, may be consolidated and converted under one permanent plan contract within the limitations outlined in subparagraph a above.

## 18.19 CONVERSION WITH TDIP RIDER

a. A term policy with TDIP attached may be converted to any of the available permanent plans.

b. When an application for conversion of NSLI is received and the term policy has a $5 or $10 age 60 rider and the applicant indicates he or she wants to continue the rider, he or she will be advised of the availability of the $10 age 65 rider.

## 18.20 REDUCTION AND CONVERSION

a. When conversion of a reduced amount of term insurance under NSLI or USGLI is to be effected as of the premium due date of the premium month in which requirements are met, and the applicant does not indicate what disposition is to be made of the remaining term insurance, apply any money remitted with the application that is not required for the conversion or any dividend credit available under 38 U.S.C. 1907 or 1946 to continue such term insurance in force.

b. When conversion of a reduced amount of term insurance under NSLI is to be effected as of the premium due date of the premium month in which requirements are met, and the premium for that month has not been paid for the amount of term insurance being discontinued, apply any dividend credit available under 38 U.S.C. 1907 to continue such insurance in force for that month.

***References:***

- 38 U.S.C. 1907: Payment or Use of Dividends
- 38 U.S.C. 1946: Dividends to Pay Premiums

## 18.21 CONVERSION DISAPPROVED-TERM INSURANCE CONTINUED

a. When an application for conversion is disapproved, the insured will be advised of the reason for disapproval of the application and status of the term policy. A new application for conversion will be furnished in the event he or she wishes to reapply.

b. When the disapproved application for conversion is (for the full amount of an insurance contract, or part of an insurance contract on which the insured indicated a desire to continue the remaining amount of term insurance, the money tendered as .premium for the permanent plan will be used to pay premiums on the term insurance for as many months as possible.

c. When an application for reduction and conversion is disapproved, the money tendered for the permanent plan will be used to keep the reduced amount of term insurance in force for as many months as possible.

## 18.22 CHANGE OR WITHDRAWAL OF CONVERSION APPLICATION

a. When a properly signed request for withdrawal of an application for conversion bears a postmark date or is otherwise delivered to the VA before the effective date of change, or if there is evidence that such request was placed in military channels before the effective date of change, the request will be granted. So, when a request for a permissible plan or amount, other than that stated in the application, is submitted within 60 calendar days from the date of conversion, it will be granted. After 60 calendar days from the effective date of conversion, any change to the contract will be processed as a policy change. The insured will be informed of the necessary additional requirements to change the insurance to the amount and plan desired. When an application for conversion has been processed and the insured requests the application be canceled, the request will be granted if it is submitted within 60 calendar days from the date of conversion. Both current and antedated conversions may be canceled. The 5-LPT policy will be restored.

b. When additional evidence such as medical evidence, health certification, or disability statement is necessary, the request may be granted for withdrawal of an application or for change in the amount and/or plan requested on the application, provided such request is otherwise acceptable.

c. When applications for reinstatement and conversion have been submitted and an acceptable request for withdrawal of the application for conversion only is received, the application for reinstatement will be processed. The applicant will be advised that the application for conversion was disregarded per his or her request.

## 18.23 POLICY INDEBTEDNESS AT DATE OF CONVERSION

a. When a term contract with an indebtedness is converted, fully or in a reduced amount with no term insurance retained, the total indebtedness will be carried on the new permanent plan(s).

b. When a term contract with an indebtedness is partially converted to one or more permanent plans and the remaining term insurance is retained, the indebtedness will be distributed to each of the policies according to the amount of insurance on a pro rata basis.

## 18.24 DISAPPROVED APPLICATION WITH BENEFICIARY DESIGNATION

When a beneficiary designation is part of an application for conversion and the application is disapproved, the designation, if otherwise acceptable, will be made a matter of record. While the insured will be requested to confirm the designation, the designation on the disapproved application for conversion will receive regular processing, including assignment of a reel number and microfilming.

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**Publication Date:** May 19, 2019

### 19.01 GENERAL

a. A permanent plan contract in force under premium-paying conditions may be exchanged, wholly or in part, in multiples of $500 but not less than $1,000 (except for the Modified Life plan) for any other permanent plan contract in the same insurance fund, with the same effective date and based on the same age, subject to the restrictions and requirements outlined below. Generally, a contract with a lower

premium rate will have a lower reserve value than a contract with a higher premium rate. However, it is possible to exchange a permanent plan policy for another permanent plan policy and the premiums will be the same on each one, but the reserve value on each policy will be different. It is also possible to have different premiums on two policies, and the reserve value on the two policies will be the same. These variations from the general rule occur when the premium-paying periods are of varying lengths of time on the two contracts.

b. Generally, a permanent plan, once correctly established, may not be exchanged to 5-Year Level Premium Term (LPT) insurance. However, if a 5 LPT matures as a Special Endowment at Age 96 policy, and the insured was already receiving Total Disability Income Provision (TDIP) benefits, the term policy may be restored. The insured, upon surrender of all rights, title and interest to the endowment policy and any provision attached to it, will be entitled to the benefits which are payable under the prior term policy and the total disability provision.

c. When a plan of insurance is changed to one with a lower reserve value and the original permanent plan has been in force at the date of change less than 1 year, the difference in the reserve on the two plans of insurance may not be withdrawn in cash but may be used only for the purpose of paying premiums (including past due premiums and interest) on the amount of insurance retained under the new plan; and such premiums are not subject to withdrawal by the insured prior to the expiration of the first policy year. When the original permanent plan has been in force, at the date of change, for 12 or more months, there will be a cash value involved. The insured may elect to have the difference in reserve:

    1. Withdrawn in cash; or

    2. Applied in payment of future premiums on the new plan; or

    3. Applied in payment of premiums on any other Government insurance contract; or

    4. Applied to pay premiums in arrears and interest when reinstating any Government insurance contract; or

    5. Applied toward payment of a loan or lien on any Government insurance contract.

d. Reduced paid-up insurance may not be restored to premium-paying status or changed to a different plan of insurance.

e. Under the NSLI program, if the issue age on the original permanent plan policy is 66 or older, the plan may not be changed to a 30-Payment Life or 30-Year Endowment policy. Also, if the issue age on the original permanent plan policy is 76 or older, the plan may not be changed to a 20-Payment Life or a 20-Year Endowment policy.

f. Under the S-DVI program, if the issue age on the original permanent plan policy is 70 or older, the plan may not be changed to a 30-Payment Life policy or a 30-Year Endowment policy. Also, if the issue age on the original permanent plan policy is 80 or older, the plan may not be changed to a 20-Payment Life or a 20-Year Endowment policy.

g. Under the VSLI (RS and W) program, if the issue age on the original permanent plan policy is 71 or older the plan may not be changed to a 30-Payment Life policy or a 30-

Year Endowment policy. Also, if the issue age on the original permanent plan policy is 81 or older, the plan may not be changed to a 20-Payment Life or a 20-Year Endowment policy.

h. Under the VRI (J-JR-JS) program certain policies are not available at certain ages. The specific plan and the specific ages are too involved to list in this manual. For additional information, and/or calculations, contact the Actuarial Staff.

i. After limited-payment life contracts become paid-up by payment of all the required premiums, the insured may change the plan to one with a higher or lower reserve, provided all other requirements are met. Also, if the paid-up limited-payment life policy had a Total Disability Income Provision 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.

***References:***

*User Guides*

- Reissuing a Policy User Guide in LifePro

## 19.02 REQUIREMENTS

a. National Service Life Insurance (Includes NSLI, VRI, VSLI, and SDVI)

1. Change to a higher reserve.

   a) Present policy must be in force in premium-paying condition.
   b) Present policy must be surrendered with all rights and claims.
   c) An application must be submitted.
   d) The required amount of reserve and the first premium on the new policy must be paid by the insured.
   e) The insured must not be totally disabled.

2. Change to a lower reserve.

   a) Present policy must be in force in premium-paying condition.
   b) Present policy must be surrendered with all rights and claims.
   c) An application must be submitted.

b. A comparative health statement must be submitted if the change is made within 1 year from the effective date of the policy.

c. On and after the first anniversary of the policy, the applicant must be in good health and must furnish satisfactory proof of same.

## 19.03 APPLICATIONS

a. VA Form 29-1549, Application for Change of Permanent Plan (Medical), should be used to apply for change of plan to a policy having a lower reserve value.

b. VA Form 29-1550, Application for Change of Permanent Plan (Non-medical), should be used to apply for change of plan to a policy having a higher reserve value.

c. A statement over the signature of the insured containing information as to the amount of insurance and plan desired will be considered as an informal application. When an informal application has been submitted and the change is to a policy with a lower reserve (NSLI, VRI, VSLI, or SDVI)), the insured must also furnish a complete physical examination report. If the change is to a higher reserve (NSLI, VRI, VSLI, or SDVI), the insured must also furnish a signed statement certifying he or she is not totally disabled.

d. If the insured does not provide a sufficient statement regarding disability, a VA Form 29-1550 will be forwarded to the insured for a reply to the question "Are you now disabled?" before the change is processed. If the question is unanswered on a formal application, an FL 29-615 will be used to obtain the certification of health.

e. If the insured indicates total disability on VA Form 29-1549 or 29-1550, the applicant will be requested to specify the nature and extent of the disability. Applications received indicating that the veteran is disabled and the nature of the disability is furnished, will be forwarded to the Live Claims Section for processing. If the insured is found totally disabled for insurance purposes, the application will be disapproved.

f. If the insured indicates they are not totally disabled on VA Form 29-1549 or 29-1550, the change of plan can be approved.

***References:***

*Forms*

- VA Form 29-1549: Application for Change of Permanent Plan (Medical)

## 19.04 CHANGE IN PLAN TO A POLICY HAVING A LOWER RESERVE VALUE

a. There is no time limit as to when the change may be made. However, the change must be made on a premium due date.

b. Change of Plan Prior to First Anniversary Date of Policy: The insured must complete 29-1549 indicating they are in as good health on the date of change as they were on the effective date of the policy.

c. Change of Plan On or After The First Anniversary Date of Policy: The insured must complete 29-1549 indicating they are in good health and submit a complete medical examination report.

d. Permanent plans may not be exchanged for the Modified Life plan age 65 if the insured is insurance age 61 or older on the date of change, or to the Modified Life plan age 70 if the insurance age is 69 or older on the date of change.

e. Permanent plans under the V prefix may not be exchanged for the Special Ordinary Life plan. This plan may be obtained only by an insured with a Modified Life plan in force who replaces the insurance reduced at age 65 or 70.

f. VA will not ask the insured to return the physical policy.

***References:***

*Forms*

- VA Form 29-1549: Application for Change of Permanent Plan (Medical)

*User Guides*

- Reissuing a Policy User Guide in LifePro

## 19.05 CHANGE IN PLAN TO A POLICY HAVING A HIGHER RESERVE VALUE

a. There is no time limit as to when the change may be made except that a plan may not be exchanged for an endowment policy if, on the date of change, it would result in a matured endowment.

b. The plan may not be changed if the insured is totally disabled.

c. The insured must pay directly or by policy loan, if the policy has been in force for 12 months or more, the difference between the reserve value of the new policy and the reserve value of the old policy plus at least one monthly premium on the new policy. A lien may not be established for the difference in reserve.

d. VA will not ask the insured to return the physical policy.

***References:***

*User Guides*

- Reissuing a Policy User Guide in LifePro

## 19.06 EFFECTIVE DATE OF CHANGE

a. The effective date of change for a change of plan must always be a premium due date. The premium due date for policies issued on the 29th, 30th or 31st day of the month is the same date in each succeeding month except for the months that do not have the particular date. In these months, the effective date is the last day of the month.

   1. Use the premium due date of the premium-paying (not calendar) month during which the request for change is submitted, being governed by the postmark date if mailed, by the earliest VA receiving stamp date if otherwise delivered to VA.

   2. Use the premium due date of the next premium-paying (not calendar) month:

      a) If the premium on the existing plan, for the amount of insurance to be changed, has been paid for the month in which the request for change was submitted.

b) If the method of payment is by allotment from service pay and premiums are being paid in advance, or by deduction from any benefits due and payable monthly by VA.

3. Future Effective Date of Change Requested by Insured

a) When a change of plan to one with a lower reserve value is requested, the change may not be made effective as of a future date which is more than 31 days after the date of the comparative health statement or the date of medical examination. The insured will be informed that if they desire a future effective date beyond 31 day limit noted above they must submit a new comparative health statement or medical examination report and a new application at the time they desire the change to be effective.

b) When a change of plan to one with a higher reserve value is requested, the applicant is advised the change will be considered provided premiums are paid to the effective date of the change, but that processing will be deferred until the requested date of change.

***References:***

*User Guides*

- Reissuing a Policy User Guide in LifePro

## 19.07 REDUCTION AND/OR REINSTATEMENT AND CHANGE OF PLAN

a. A permanent plan may be reduced in amount and the reduced amount changed to another permanent plan at the same time if all other conditions are met.

b. Lapsed insurance must be reinstated before it can be exchanged for a different permanent plan. This can be less than the original amount of insurance.

c. When only part of the full amount of insurance is to be exchanged for a contract under another permanent plan, the insurance will be reduced or divided (split) in accordance with the following:

1. The insurance may be reduced when:

a) The permanent plan has been in force more than three months but less than one year, whether lapsed or not, even if only a part is to be reinstated.

b) Part of a permanent plan, which has not lapsed and has been in force at least one year, is surrendered for cash (reduction) and the premium for the premium month in which the application was submitted has been paid.

c) Part of a lapsed permanent plan continued in force as extended term insurance is reinstated and the remaining insurance is surrendered for the cash value.

d) Part of a lapsed permanent plan on which the extended term insurance has expired, is reinstated.

2. The insurance cannot be reduced, but can be divided into contracts when:

a) Part of a permanent plan contract is changed to a different plan and the remainder is continued on the original plan.

b) Part of a permanent plan contract is allowed to lapse and is extended as term insurance or surrendered for paid-up insurance.

c) Part of a permanent plan which has not lapsed is surrendered for cash, the premium for the month in which the application is submitted has not been paid, and dividend credit is used to pay the premium for that month on the portion of insurance to be surrendered.

d) Part of a permanent plan contract in force as extended term insurance is reinstated, and the remainder is continued as extended term insurance.

d. When change of plan occurs with division, reduction, and/or reinstatement, the division, reduction, and/or reinstatement must be processed before a change of plan can occur.

***References:***

*User Guides*

- Reissuing a Policy User Guide in LifePro

## 19.08 CHANGE OR WITHDRAWAL OF APPLICATION

a. When a properly signed request for withdrawal of an application for change of plan or any other change to the original change of plan request, is received by VA, or bears a postmark date, 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. When any additional evidence, such as medical evidence or other data is necessary for determination of eligibility, the insured will be given an opportunity to withdraw the application or change the amount and/or plan requested on the original application. Such request, if in order, must be postmarked or received by VA prior to submission of the requested information or other requirement.

c. When applications for reinstatement, reduction, or division and a change of plan have been submitted and an acceptable request for withdrawal of the application for change of plan only is received, the reinstatement application, reduction or division will be processed and the policyholder notified of action taken.

## 19.09 DEATH OF INSURED

a. The application for change of plan will be disapproved if:

    1. The insured dies prior to meeting all the requirements.

    2. The insured dies prior to the "effective date of change", even though the application is otherwise acceptable.

b. The application will be canceled if the change in plan to a higher reserve has been approved and the insured dies prior to the next premium due date after the date of change. When an application is canceled, the original permanent plan contract will be restored. Any loan amount used to pay the difference in reserve will be reversed and any difference in reserve paid by direct remittance will be included in the insurance award.

## 19.10 LOAN AT TIME OF CHANGE OF PLAN (HIGHER TO LOWER RESERVE VALUE)

If there is an outstanding loan at the time a change of plan from higher to lower reserve value is made, the outstanding indebtedness must be checked against the maximum loan value of the new contract as of the effective date of change, and if greater than the maximum loan value of the new contract, it must be reduced to an amount which will not exceed the loan value on the new plan, by deduction from the reserve credit at the same time as the change plan.

## 19.11 PERSONS BY WHOM CHANGE OF PLAN MAY BE EFFECTED

Change of plan may be made by:

a. The insured, if competent.

b. The insured through an attorney-in-fact/power of attorney, where the insured has granted insurance authority.

c. The legal guardian, committee, conservator, curator, or trustee for the insured, provided the application is supported by a court order from the court of jurisdiction if required under state law.

d. The VA-appointed fiduciary.

## 19.12 CHANGE OF PLAN WITH PAID-UP ADDITIONS

a. When a permanent plan life policy with paid-up life additions is changed to another life contract, no adjustment of the paid-up life additions is required.

b. When a permanent plan life policy with paid-up life additions is changed to an endowment contract, the paid-up life additions may be:

1. Retained as paid-up life additions, without any adjustment, or

2. Changed to paid-up endowment additions by applying the reserve of the paid-up life additions based on the basic endowment policy and the attained age of the insured, or

3. Changed to purchase the same amount of paid-up endowment additions as there were paid-up life additions with the insured paying the difference in reserve.

c. When an endowment policy with paid-up endowment additions is changed to another endowment policy, an adjustment to the paid-up endowment additions must be made.

   1. On a change to an endowment policy with a lower reserve, the amount of the paid-up endowment additions may not be increased because of the change in plan. The reserve of the paid-up endowment additions on the prior policy will be determined and the amount of reserve needed to establish the same amount of paid-up endowment additions on the new endowment policy will be deducted. The difference in reserve may be paid to the insured in cash or, at his request, used to pay premiums or applied to an outstanding indebtedness.

   2. On a change to an endowment policy with a higher reserve, the paid-up endowment additions will be changed by applying the reserve of the paid-up endowment additions on the prior policy to purchase a lesser amount of paid-up endowment additions based on the new basic endowment policy and the attained age of the insured or to purchase the same amount of paid-up endowment additions with the insured making payment of the difference in reserve.

d. When an endowment policy with paid-up endowment additions is changed to a life policy, the paid-up endowment additions will be changed to the same amount of paid-up life additions, with the difference in reserve paid to the insured in cash or, at the insured’s request, used to pay premiums or applied to an outstanding indebtedness.

# Key Changes

**Rescissions**

M29-1, Part 1, Chapter 20 is being removed in its entirety as the information related to the Total Disability Income Provision is no longer applicable to the Insurance programs. All information related to reinstatements has been moved to M29-1, Part 1, Chapter 3.

**Authority**

By Direction of the Under Secretary for Benefits

**Signature**

Vincent E. Markey, Director
Insurance Service

**Distribution**

LOCAL REPRODUCTION AUTHORIZED

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| 21.02 | Requirements |
| 21.03 | Effective Date |
| 21.04 | Withdrawal of Application |
| 21.05 | Insured Incompetent |


**Publication Date:** August 15, 2019

### 21.01 GENERAL

a. Insurance issued under the provisions of section 621 of the NSLI act was on the term plan and was prefixed by the letters RS. No new RS contracts could be issued after December 31, 1956. Insureds who had reached their 50th birthday when the law allowing conversion became effective were permitted to exchange to limited convertible term insurance (W) until September 1,1960.

b. RS term insurance was able to be exchanged while on a premium-paying basis for a policy of limited convertible term insurance (W) issued under 38 U.S.C. 1923(b). Insurance under this subchapter was issued under the same terms and conditions as those contained in the standard policies of NSLI except as follows:

   1. Limited convertible term insurance could not be issued or renewed after the insured's 50th birthday.

   2. Settlements on policies involving annuities on insurance issued under this subchapter are calculated on the basis of the annuity table for 1949, and interest at the rate of 2-1/2 percent a year.

   3. Premiums for W insurance and TDIP are credited directly to the Veterans Special Insurance Fund (RS or W Fund).

***References:***

- 38 U.S.C. 1923: Veterans' Special Life Insurance

### 21.02 REQUIREMENTS

The exchange was made without medical examination upon complete surrender of the policy being exchanged while it was in force, by payment or waiver of premiums. Exchange had to be in multiples of $500, and no contract was issued for less than $1,000.

a. Application - A written request over the veteran's signature containing the necessary information was required.

b. Premium - A remittance had to accompany the application to pay the premium for the insured's attained age, on the amount of insurance exchanged for the month in which the application was made, except when premium waiver was in effect.

c. Reserve - The reserve, if any, on the term policy was allowed as a credit and could be used for payment of premiums. However, if no premiums were due because of disability waiver (38 U.S.C. 1912) or it was not administratively possible to apply the credit when premiums were being paid by allotment, deduction from benefit payments or payroll deduction accounts, the reserve credit (if $1 or more) was paid to the insured. Any reserve that was less than $1 was held as a premium credit.

***References:***

- 38 U.S.C. 1912: Total Disability Waiver

## 21.03 EFFECTIVE DATE

The effective date for limited convertible term insurance was the premium due date of the premium month in which the application was mailed or otherwise delivered to VA.

## 21.04 WITHDRAWAL OF APPLICATION

a. When an application for exchange of RS insurance was received and the insurance, because of age, was restricted to one term period, the insured was advised of the limitation and given the opportunity to withdraw the application. If he or she failed to reply, the exchange was processed.

b. If an insured, regardless of age, requested that the application for exchange be canceled and the RS insurance continued, the insured was allowed 31 days to submit the money necessary to satisfy the difference between the RS and W premiums. If the required payment was not forwarded within the time limit, the exchange was processed. The insured was advised that since he or she did not comply with the requirements, it was necessary to process the application. A copy of the letter of notification was filed in the insurance folder for record purposes.

## 21.05 INSURED INCOMPETENT

When an exchange application was received from an incompetent veteran, the legal guardian and/or the Veteran was advised of the advantages of conversion and the legal guardian was furnished the necessary application. When the contract was not under waiver, the case was forwarded to the Insurance Claims Section for determination of entitlement to waiver of premium.

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## Part I Chapter 22 – Correction of Date of Birth


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| 22.03 | Correction of Date of Birth (Older Age Correct) |
| 22.04 | Correction of Date of Birth (Younger Age Correct) |
| 22.05 | Correction of Date of Birth on Matured Endowments |
| 22.06 | Correction of Date of Birth on Contracts Matured by Death |
| 22.07 | Correction of Date of Birth on Contracts Surrendered for Cash |
| 22.08 | Correction of Date of Birth Involving Paid-Up Additions |


**Publication Date:** August 15, 2019

### 22.01 GENERAL

a. When different dates of birth appear in an insurance record the insured will be notified. He or she will be requested to submit evidence as to the correct date of birth.

b. Insurance age is the age of the insured on his or her birthday nearest the effective date of the insurance contract.

c. When a date of birth discrepancy exists in the records, the earliest date of birth will be presumed to be correct in the absence of documentary evidence to the contrary.

d. The older age will be accepted as being correct unless the insured notifies us within 60 days, that the younger age is correct. If the policy is a permanent plan, the insured will be given 60 days to make the payments needed before the adjustment in face amount is made.

e. Date of birth discrepancies that do not change the insurance age must still be clarified as this information is needed to verify the identity of the insured on the telephone. (Only the date of birth will be changed; no adjustments to the policy will be necessary).

f. Inactive policies will not be considered unless they are reinstated.

## 22.02 PROOF OF DATE OF BIRTH

Evidence to establish the correct date of birth should be one of the following types in the following order of preference:

a. A certified copy or abstract of the public record of birth or a certified copy of the church record of baptism, the certification to be made by the custodian of such records.

    1. A public record of birth established more than 4 years after birth may be accepted as proof of the correct date of birth, provided it is not inconsistent with documentary evidence of record in the insurance folder, or if it shows on its face that it is based upon evidence that would of itself be acceptable under any of the other following subparagraphs.

    2. A record of baptism performed more than 4 years after birth will not be accepted as proof of the correct date of birth unless it is consistent with documentary evidence of record in the insurance folder, which shall include at least one reference to the date of birth and/or age made at a time when such reference was not essential to establishing the correct date of birth of the insured.

b. Evidence within any DoD or VA system of records of the date of birth. This may include electronic images or simply the date of birth verified by another VA entity is acceptable.

c. Affidavit of the physician or midwife in attendance at birth.

d. Copy of Bible or other family record certified to by a notary public or other officer with authority to administer oaths for general purposes, who will state in what year the Bible or other book in which the record appears was printed, whether the record bears any erasures or other marks of alteration, and whether, from the appearance of the writing, he or she believes that the entries were made recently or at the time reputed.

e. Affidavits of two or more persons, preferably disinterested, who shall state their ages, showing the name, date and place of birth of the person whose correct date of birth is being established, and that, to their own knowledge, such person is the child of such parents (naming the parents), and stating the source of their knowledge.

f. Other evidence which is adequate to establish the facts including census, hospital, school, employment, immigration or naturalization records or insurance policies.

g. Electronic images of original documents or of certified copies of records of birth will be accepted when a copy is received by VA if the original would be acceptable. When a certified copy or abstract of record of birth is not certified over the signature and official seal of the person having custody of the record, it will be accepted if the person having custody of the record has no official seal and the copy or abstract bears his or her signature and is either sworn to by him or her or is on a blank printed especially for that purpose.

## 22.03 CORRECTION OF DATE OF BIRTH (OLDER AGE CORRECT)

**NOTE**: Effective October 10, 2000, any DOB discrepancy requiring a payment from the insured will be forwarded to the Assistant Director Insurance Operations (29) through the Section Chief. Provide a copy of all calculations along with all supporting evidence. No action will be taken until the Assistant Director has completed his or her review.

a. If it is discovered during the lifetime of the insured that he or she is older than the age shown in the insurance records, he or she will be allowed 60 days to advise whether or not VA is to continue the full amount of insurance.

b. When the full amount of the contract is to be continued, the following adjustments must be made when the contract is in force by payment of premiums, and not under a disability premium waiver:

   1. For a term contract, the insured will be required to pay the correct premium from the premium due date of the policy month in which he or she is notified that the discrepant birth appears in the records.

   2. On a permanent plan policy, the insured must pay the difference in reserve on the amount of insurance in force from the effective date of the contract to the premium due date of the policy month in which the insured is notified that discrepant dates of birth appear in the insurance records. The correct insurance premium, if any, must be paid from the premium due date of the policy month in which the letter of notification of the older age is dated. Calculations for reserves will be computed by the Policy Service Technician. The following sample may be used as a guide when computing the difference in reserve. All reserve calculations will be based on the correct age.

**Example**

**FACTS**

The insured has an S-DVI Modified Life 65 policy effective June 1, 1995, age 47. As a result of a date of birth correction, the issuance age was changed to 55.

**REQUIREMENTS**

Difference in reserve from June 1, 1995, to January 1, 2005 (month veteran notified of discrepant date of birth) in which the veteran must pay to continue the $5,500 in force.

**CALCULATIONS**

| | |
|---|---|
| Step 1. Unit monthly premium at age 55 | $2.62 |
| Step 2. Gross monthly premium paid at age 47 | |
| ($2.00 x (5500/1000)) | $11.00 |
| Step 3. Actual amount of insurance inforce at the correct age | |
| ($11.00/2.62*$1,000) | $4,198.47 |
| Step 4. Reserve per $1,000 based on time policy has been in force | |

(9, 7-12) at age 55

2005 - 1 Date veteran notified

1995 - 6 Effective date of policy

9-7 (9 years and 7 months) $74.93

Step 5. Amount of reserve required on $5,500

($5,500/1000) x $74.93) $412.12

Step 6. Amount of reserve on the amount of insurance shown in Step 3.

($(4,198.47/1000) x $412.12) $314.59

Step 7. Difference in reserve to be paid $97.53

c. If the insured does not desire to continue the full amount of insurance in force at the older age or does not reply to VA's letter of notification within 60 days, the insurance will be reduced to the exact amount that premiums paid would purchase at the older age (rounded to the next higher dollar) and not reduced to the largest multiple of $500.

   1. Term insurance will be reduced as of the premium due date of the policy month in which the insured is notified that the discrepant date of birth appears in his or her records.

   2. For a permanent plan policy, the insurance will be reduced as of the effective date of the insurance.

d. Dividend overpayments or underpayments, or pure insurance risk amounts previously refunded will not be adjusted, regardless of whether an older or younger age is established, or whether the insured is living or dead at the time of the correct date of birth is established.

e. If the insured was older than the age he or she entered on the application for insurance, the case is to be referred to the Chief, Actuarial Staff for adjustment under the following circumstances:

   1. The discrepancy was discovered after the insured died and at one time or another, the insured had been paid total disability income benefits under an NSLI policy.

   2. The insured is alive and is receiving waiver of premium and/or TDIP or TPD benefits.

***References:***

*User Guides*

- Reissuing a Policy User Guide in LifePro

## 22.04 CORRECTION OF DATE OF BIRTH (YOUNGER AGE CORRECT)

a. When acceptable evidence is received establishing a younger age than that shown in the insurance records, the premium overpayments will be refunded as follows:

   1. On term insurance, only the premium credits paid on the current renewal period, and the period prior to the current renewal, will be considered in the calculation.

   2. On permanent plans, only the premium credits paid on the permanent plan will be refunded. No refunds will be made on any term contract prior to the date of conversion.

b. Credits will be refunded without interest on all plans of insurance. No adjustment will be made of any dividends, premium waiver under 38 U.S.C. 1912, or pure insurance, risk refund previously paid.

***References:***

- 38 U.S.C. 1912: Total Disability Waiver

*User Guides*

- Reissuing a Policy User Guide in LifePro

## 22.05 CORRECTION OF DATE OF BIRTH ON MATURED ENDOWMENTS

a. If the proceeds of the matured endowment have been paid in full and the older age is correct, no adjustment will be made. However, if the younger age is correct, the amount of the premium overpayments will be refunded in one sum, without interest to the insured, if living; otherwise, to the beneficiary.

b. If the claim is pending or being paid in installments, the following action will be taken:

   1. Younger Age Correct. The amount of the insurance premium overpayments will be paid in one sum, without interest to the insured, if living; otherwise, to the beneficiary.

   2. Older Age Correct. The face amount of the policy will be reduced to the exact amount paid for and the claim settled on the adjusted amount. If some installments have been paid when the correction in date of birth is made, the claim will be adjusted from the beginning and future payments withheld until any overpayment has been recovered. If insufficient monthly installments remain to collect the overpayment, the award will be terminated as of the date the correction in amount of insurance is made.

## 22.06 CORRECTION OF DATE OF BIRTH ON CONTRACTS MATURED BY DEATH

a. If the claim has been paid in full and the older age is correct, no adjustment will be made. However, if the younger age is correct, the amount of the premium overpayments will be refunded in one sum, without interest, to the beneficiary.

b. If the claim is pending or being paid in installments, the following action will be taken:

1. Younger Age Correct. The amount of the insurance overpayments will be paid in one sum, without interest, to the beneficiary.

2. Older Age Correct. The face amount of the policy will be reduced to the exact amount paid for and the claim settled on the adjusted amount. If some installments have been paid when the correction in date of birth is made, the claim will be adjusted from the beginning and future payments withheld until any overpayment has been recovered. If insufficient monthly installments remain to collect the overpayment, the award will be terminated as of the date the correction in amount of insurance is made.

## 22.07 CORRECTION OF DATE OF BIRTH ON CONTRACTS SURRENDERED FOR CASH

a. If the cash value has been paid in full and the older age is correct, no adjustment will be made. However, if the younger age is correct, the amount of the premium overpayments will be refunded in one sum, without interest, to the insured.

**NOTE**: If the policy was surrendered under 38 U.S.C. 1981 and is reinstated, any necessary date of birth adjustments will be made.

b. If the surrender is pending or being paid in installments, the following action will be taken:

   1. Younger Age Correct. The amount of the insurance overpayments will be paid in one sum, without interest, to the insured, if living; otherwise, to the beneficiary.

   2. Older Age Correct. The face amount of the policy will be reduced to the exact amount paid for and the surrender settled on the adjusted amount. If some installments have been paid when the correction in date of birth is made, the surrender will be adjusted from the beginning and future payments withheld until any over-payment has been recovered. If insufficient monthly installments remain to collect the overpayment, the award will be terminated as of the date the correction in amount of insurance is made.

***References:***

- 38 U.S.C. 9181: Replacement of Surrendered and Expired Insurance

## 22.08 CORRECTION OF DATE OF BIRTH INVOLVING PAID-UP ADDITIONS

The following rules apply to correction of date of birth on paid-up additions regardless of whether the older or younger age is correct:

a. The reserve of the paid-up additions will be determined by using the attained age of the insured based on the date of birth that was used to purchase the paid-up additions.

b. The reserve will then be applied to purchase paid-up additions using the attained age of the insured based on the correct date of birth.

c. These computations will be made on the date the basic policy is adjusted.

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| 23.11 | Beneficiary and Optional Settlement Designation |


**Publication Date:** August 15, 2019

### 23.01 REDUCTION

a. The face amount of a government life insurance policy may be reduced in multiples of $500 to an amount not less than $1,000.

b. When a basic policy with paid-up additions is reduced, the paid-up additions do not need to be reduced, except at the request of the insured.

c. The limitation under 23.01(a) does not apply to reduced paid-up insurance.

***References:***

*User Guides*

- Reissuing a Policy User Guide in LifePro

## 23.02 DISPOSITION OF RESERVE

a. When a permanent plan policy is reduced after having been in force by the payment or waiver of premiums for at least 1 year, upon request of the insured, the reserve value of the amount of insurance discontinued may be:

   1. Withdrawn in cash;

   2. Applied in payment of premiums, including:

      a) Future premiums;

      b) Premiums in arrears and interest, when reinstating; or

      c) Premiums on any other NSLI contract.

   3. Applied in repayment of a loan or lien indebtedness on any NSLI contract;

   4. Used to purchase paid-up insurance; or

   5. Used to purchase extended term insurance.

b. The reserve value of the amount discontinued may be used only to purchase extended insurance protection in the following instances:

   1. Permanent plans in force by payment of premiums or waiver of premiums for not less than 3 months nor more than 11 months, except a modified life plan or any plan issued under 38 U.S.C. 1925;

   2. Modified life plans in force by payment of premiums or waiver of premiums for not less than 3 months that have not been surrendered for cash or paid-up insurance; or

   3. Permanent plans issued under 38 U.S.C. 1925 in force for not less than 1 year.

c. For extended term insurance issued under b(1) or (2), the insurance shall be for an amount of insurance equal to the face value of the policy less any indebtedness for such time from the due date of the premium in default as the reserve of the policy less any indebtedness will purchase when applied as a net single premium at the attained age of the insured.

d. For extended term insurance issued under b(3), the insurance shall be for an amount of insurance equal to either the initial face amount of insurance less any indebtedness, for lapses that occur prior to the insured's 65th or 70th birthday (depending on plan) or the ultimate face amount of the insurance less any indebtedness, for lapses that occur on or after the insured's 65th or 70th birthday (depending on plan). See 38 CFR 8.14 (c) for further details on calculating the initial or ultimate face amount of insurance.

***References:***

- 38 U.S.C. 1925: Limited Period for Acquiring Insurance
- 38 CFR 8.14: Provision for Extended Term Insurance – Other than 5-Year Level Premium Term or Limited Convertible 5-Year Level Premium Term Policies

## 23.03 REQUIREMENTS FOR REDUCTION

a. Request for Reduction

1. A request in writing over the signature of the insured stating the amount of insurance to be retained is all that is required for reduction. If a permanent plan policy has been in force 1 year or more, disposition of the reserve value of the amount surrendered should be indicated. If disposition of the reserve value is not indicated before expiration of the grace period, the amount of a permanent plan policy for which premiums have not been timely paid will lapse and automatically be extended as term insurance.

b. Premium

1. If insurance is in force by payment of premiums, an amount sufficient to pay the first premium should be submitted with the application. If not, it will be deducted from the cash value, if any, or the insured may authorize any credit of record to pay such premium. For term accounts, the first premium in the reduced amount must be paid or made available from any existing credits.

2. If insurance is in force under waiver of premiums provision, no premium payment is necessary.

3. If insurance is lapsed and in force under extended insurance, no premium payment is necessary. Payment is required in an amount sufficient to reinstate coverage, in any amount, on a premium-paying basis.

## 23.04 DIVISION (OR SPLIT)

a. In connection with a reduction, a division (sometimes referred to as a "split") will be affected and the retained amount of insurance will be carried under the original contract number, with a new number assigned to the remainder, when:

1. The insured requests that the reserve on the surrendered amount of a permanent plan contract, in force 1 year or longer, be applied to purchase paid-up or extended term insurance;

2. The reserve value on the surrendered amount of a permanent plan contract, in force for more than 3 months but less than 1 year, is to be automatically applied to purchase extended term insurance; or

3. A part of a contract in force under extended term insurance is reinstated and the remainder continued as extended term insurance.

b. Division will also be affected when:

1. The insured requests conversion of part of a policy to a permanent plan, and part is to be continued on the term plan or converted to a different permanent plan; or

2. The insured requests part of a permanent plan policy changed to another plan, and part continued on the original plan or changed to a different plan.

c. When no other change is involved, an insurance contract may be divided into two or more contracts under the following conditions:

1. The request for division must be over the written signature of the insured, or the insured's guardian/fiduciary and the required premium, if any, should accompany the request.

2. The amount of each contract issued must be in multiples of $500 and not less than $ 1,000, and the total amount of all contracts issued as a result of the division must equal the face amount of the original contract before division.

3. Division of a lapsed contract may not be made until reinstatement requirements are met, except where the insurance is in force under extended term insurance.

d. A new policy number will be assigned to each new contract issued.

e. When division of a contract results in a division of an outstanding loan, the outstanding loan will be apportioned between the existing contract and any new contract.

## 23.05 EFFECTIVE DATE OF CHANGE

a. The effective date of change for reduction will be as follows:

1. The due date of the premium month in which the reduction was submitted, if the premium for that month has not been paid, and there is no dividend credit available sufficient to complete the premium for the full amount of insurance for that month.

2. The due date of the next premium month:

a) If the premium for the month in which the request is submitted has been paid, or there is dividend credit available sufficient to complete the premium for the full amount of insurance for that month.

b) If waiver of premiums is in effect.

c) If insurance is in force under extended term insurance.

d) If the method of payment is by allotment or deduction from VA benefits.

3. The premium due date indicated by the insured, if reduction is requested as of a future date and if premiums are paid to that date. Reduction may not be recorded until the premium month immediately preceding the effective date requested.

a) The effective date of change for division will be the effective date of the contract being divided.

***References:***

*User Guides*

- Reissuing a Policy User Guide in LifePro

## 23.06 REDUCTION WITH TOTAL DISABILITY INCOME PROVISION

Where TDIP is to be continued on the reduced contract, the reduction of insurance and TDIP will be accomplished in one operation.

## 23.07 REINSTATEMENT AND REDUCTION

a. If the insurance is in a state of lapse, reinstatement requirements must be met before reduction will be affected; except when reducing extended term insurance under a permanent plan policy which lapsed after having been in force at least one year, and no part is to be reinstated.

b. If application for reinstatement and reduction are made in the same premium month and requirements for both have been met, the reinstatement and reduction will be processed simultaneously, regardless of the date of lapse.

c. The effective date of reinstatement will be the due date of the premium month in which reinstatement requirements are met.

## 23.08 REDUCTION OF A CONTRACT IN FORCE AS EXTENDED TERM INSURANCE

a. Extended term insurance resulting from a contract which lapsed after being in force 1 year or longer, may be reduced without reinstating any portion.

b. Extended term insurance resulting from a contract which lapsed after being in force not less than 3 or more than 11 months may not be reduced except when a part is reinstated or where it is necessary to discontinue a portion of the contract when superseded by new insurance.

c. Cash surrender for part of an insurance contract in force under extended term insurance constitutes forfeiture of all rights to the proportionate amount of the basic policy from which the extended insurance was derived and precludes subsequent reinstatement thereof.

d. When reinstating part of a contract in force as extended term insurance, no health statement or medical evidence is required when:

    1. Application and tender of premiums with interest are made not less than 5 years before the date such extended term insurance will expire.

    2. The extended term insurance under an endowment plan provides protection to the end of the endowment period.

e. Where the insured submits an acceptable application for reduction in the amount of a policy in force under extended term insurance and indicates he desires to reinstate part of the policy and continue part on extended term insurance, the application for reduction will be held pending if additional evidence must be obtained in connection with the application for reinstatement. Similar action will be taken in cases where the insured indicates he desires to reinstate part of the policy and apply the cash value of the amount discontinued toward the cost of reinstatement and/or future premiums. If, upon receipt of the additional evidence, it is determined that the application for reinstatement is acceptable, the applications for reinstatement and reduction will be processed simultaneously and reduction effected. If the application for reinstatement is not acceptable, the application for reduction will be disapproved.

f. The cash value of insurance in force as extended term insurance will be calculated as of the last day of the premium month in which the application is mailed or otherwise delivered to VA, or the last day of a future premium month if so specified by the insured.

g. If an insured applies for reinstatement of a reduced amount of a policy in force under extended term insurance, and payment in cash of the surrender value of the balance, the cash payment will be processed regardless of whether the application for reinstatement is or is not acceptable.

## 23.09 INDEBTEDNESS AT TIME OF REDUCTION

If the insured makes no provision for liquidating an indebtedness existing at time of reduction by means of direct payment, policy loan, deduction from cash value, or otherwise, the following principles will govern:

a. A proportionate part of the policy loan will be carried over on the retained amount of insurance.

b. Where there is a premium indebtedness including premium lien and shortage:

   1. If the contract being reduced is term insurance, the entire indebtedness and interest will be transferred to the retained amount of insurance.

   2. If the contract being reduced is a permanent plan and has been in force:

      a) Less than 3 months, the entire indebtedness and interest will be transferred to the retained amount of insurance.

      b) Not less than 3 or more than 11 months, the proportionate amount of indebtedness and interest will be deducted from the reserve on the insurance dropped, and if the reserve is not sufficient, the remainder of the indebtedness will be transferred to the retained amount of insurance.

      c) One year or more, and the indebtedness and interest do not exceed the reserve on the retained amount of insurance, unless the insured desires: to liquidate the indebtedness from the cash surrender value, the entire indebtedness and interest will be transferred to the retained amount of insurance.

d) One year or more, and the indebtedness and interest exceed the reserve on the retained amount of insurance, the excess amount will be deducted from the cash surrender value of the amount of insurance surrendered, and the remaining indebtedness will be transferred to the retained amount of insurance.

c. Where there is insurance overpayment indebtedness (other than overpayments resulting from accelerated dividends), recovery may be made from cash payment of the reserve resulting from reduction of any of the insured's contracts. If the reserve is not paid in cash, the overpayment may be collected only from the reserve if the contract on which the indebtedness exists, including reserve applied to purchase extended term insurance where the policy has been in force not less than 3 months or more than 11 months.

d. Where there is indebtedness to VA (finance indebtedness), recovery may be made from cash payment of the reserve resulting from reduction of any of the insured's contracts. See 38 U.S.C 5301(b) and 38 U.S.C. 5314.

***References:***

- 38 U.S.C. 5301: Nonassignability and Exempt Status of Benefits
- 38 U.S.C. 5314: Indebtedness Offsets

## 23.10 REDUCTION OF REDUCED PAID UP INSURANCE

A reduction of a policy that has been previously surrendered for reduced paid-up insurance may be approved if the amount of the reduction is not less than $500, and at least $1,000 of insurance remains in force and all other conditions are met.

## 23.11 BENEFICIARY AND OPTIONAL SETTLEMENT DESIGNATION

Before the insured is notified of the action taken, the beneficiary and optional settlement designation will be checked to see if they are in order. Where clarification is necessary, VA Form 29-336, Designation of Beneficiary and Optional Settlement, will be sent to the insured for completion.

***References:***

*Forms*

- VA Form 29-336: Designation of Beneficiary

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## Part I Chapter 24 – Change or Correction of Name


| Subsection | Name |
|---|---|
| 24.01 | General |
| 24.02 | Satisfactory Evidence |


**Publication Date:** August 15, 2019

### 24.01 GENERAL

a. Name of Insured. The records of VA will be amended to reflect the correct name of the insured or change in his/her name upon receipt of satisfactory evidence as to the correct or new name. Generally, the records will not be amended simply to add a title, such as "Colonel" or "Doctor", etc.

b. Name of Beneficiary

   1. During the lifetime of the insured, a request for change in the name of the beneficiary must be over the signature of the insured.

   2. If a change in the insured's name affects the name of the beneficiary, as in the case of a spouse or minor child, the change in the name of the insured will also cause the change of name of the beneficiary.

### 24.02 SATISFACTORY EVIDENCE

a. VA Form 29-586, Certification of Change or Correction of Name

   1. Part I of VA Form 29-586 or a statement over the signature of the insured, containing substantially the same information as outlined in part I of the form, will be required in the following instances:

      a) If the insured failed to give his complete first or middle name on the original application, and now wants to correct the omission.

      b) If the first or middle name of the insured appears as a nickname or contraction, such as "Will" on the original application, and the insured now desires his full name to appear on the records.

      c) If the insured desires to have the order of his first and middle names reversed, e.g., "Henry John" changed to read "John Henry." Supporting documentation will be required.

d) If the insured wants to correct or change the spelling of any part of his name, provided there is no material change in the pronunciation. Supporting documentation will be required.

e) If the insured signed his name by mark on the original application, and later writes his name, whether or not it is spelled the same as it was on the original application. Supporting documentation will be required.

f) If the name of the insured appeared on the original application in a foreign spelling, such as "Oiseau," and the insured desires to change to the English equivalent "Bird". Supporting documentation will be required.

g) If the insured used more than one given name on the original application, and now wants to eliminate any of the given names from the records. Supporting documentation will be required.

h) If the insured wants to take, add, or change a given name. Supporting documentation will be required.

i) If the insured wishes to drop or add to his name, the suffix `Jr. "or "Sr." Supporting documentation will be required.

j) If the insured's name has been changed by marriage or divorce. Supporting documentation will be required.

2. Parts I and II of VA Form 29-586, or statements containing substantially the same information as shown on the form, signed, dated by the insured and two witnesses, with the address of each, will be required in the following instances:

    a) If the insured requests his name changed on VA records for any reason other than those listed in subparagraph (1) above.

    b) If the insured performed military or naval service under an assumed name or alias and used the assumed name or alias when applying for insurance, and now desires his correct name to appear in the records. In such case the facts and circumstances regarding the use of the assumed name or alias must be satisfactorily explained and it must be clear that the insured is requesting that his correct name be entered in the records. In any case where doubt exists, VA and service records should be reviewed to determine whether the records indicate any evidence relative to the correct name of the insured.

b. Official Report from Service Department. If the insured is a member of the Armed Forces, an official report from the service department indicating that evidence has been submitted to justify a change of name on the service records will be sufficient authority to change the name of the insured on VA records.

c. VA Systems of Records:

1. Prior to making a name change, other VA systems of records, not related to the insurance policy, must be checked. Previously verified name changes documented within other VA systems of record are considered acceptable proof of a name change under subparagraph a(1) or a(2).

2. If VA systems of records do not indicate a name change, correction to those records must also be made. Upload documents showing proof of name change to VA systems and email the point of contact at the Regional Office to take action.

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## Part I Chapter 25 - Miscellaneous Underwriting Actions


| Subsection | Name |
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| Subchapter 1 | Consolidation |
| 25.01 | General |
| 25.02 | Requirements |
| 25.03 | Effective Date of Change |
| 25.04 | Number of Consolidated Contract |
| 25.05 | Beneficiary and Optional Settlement Designation |
| Subchapter 2 | Restoration (Revival) |
| 25.06 | General |
| 25.07 | Effective Date |
| 25.08 | Beneficiary and Optional Settlement Designation |
| Subchapter 3 | Change of Effective Date |
| 25.09 | General |
| Subchapter 4 | Combination of Insurance Records |
| 25.10 | General |


**Publication Date:** August 15, 2019

### 25.01 GENERAL

a. A consolidation is the issue of one contract to combine insurance issued in two or more contracts of the same policy prefix (V, RH, RS, etc.) The contracts to be consolidated must have the same effective date, age, and plan of insurance.

c. Upon consolidation of two or more contracts, a new policy for the consolidated contract will be issued. The old policies need not be returned.

## 25.02 REQUIREMENTS

a. Lapsed contracts must be reinstated prior to consolidation.

b. Term contracts may not be consolidated if one or more of the accounts involved have been reinstated with skip months in the current dividend year.

c. Non-participating term contracts may be consolidated even though skip months are involved.

d. Permanent plan contracts may be consolidated even though reinstatement has been involved.

e. The request for consolidation must be over the signature of the insured, or the appointed guardian/fiduciary and the required premium, if any, should accompany the request.

## 25.03 EFFECTIVE DATE OF CHANGE

The effective date of change for consolidation will be the effective date of the contracts being consolidated.

## 25.04 NUMBER OF CONSOLIDATED CONTRACT

The file number of the consolidated contract will be the lowest file number. The policy numbers of all contracts will be retained under the lowest file number unless consolidated into one policy, and then the lowest policy number will be the consolidated policy number.

## 25.05 BENEFICIARY AND OPTIONAL SETTLEMENT DESIGNATION

Before the insured is notified of the action taken, the beneficiary and optional settlement designation will be checked to see if they are in order. Where clarification is necessary, VA Form 29-336, Designation of Beneficiary and Optional Settlement, will be sent to the insured for completion.

***References:***

*Forms*

- VA Form 29-336: Designation of Beneficiary

## 25.06 GENERAL

a. Restoration of the insurance will be taken by the Policyholder Services Division when VA Form 29-808 (Decision of Insurance Claims Division) is received from the Insurance

Claims Division requesting revival because the effective date of the waiver of premiums is:

1. On or before the date of lapse, or

2. Within the 31-day grace period, or

3. Within 61 days of the due date of the unpaid premium, provided the policy has been in force for 5 years or more prior to the date of lapse.

b. Restoration Will Be Taken:

1. When part of a term contract was allowed to lapse at the time of reduction or conversion, or

2. When insurance protection was discontinued because the Veteran stated that it was no longer desired, or

3. If part of a permanent plan contract in force less than 3 months was allowed to lapse at the time of reduction, and

4. The insurance is within 61 days of the due date of the unpaid premium, provided the policy has been in force for 5 years or more prior to the date of lapse.

c. If the retained portion of the insurance was continued on the same plan, restoration will be accomplished by increasing the amount of insurance under the existing policy number to the amount of the contract at the time of reduction.

d. When the retained insurance was converted to a permanent plan, it will be necessary to have a new number in the same prefix series assigned, in order to restore the lapsed term insurance. Lapsed or discontinued term insurance must be restored to a term policy before any subsequent conversion action can be requested.

## 25.07 EFFECTIVE DATE

The insurance and/or TDIP will be restored effective as of the date of lapse. If the disability provision was attached when the insurance lapsed, it will be restored at the same time as the insurance.

## 25.08 BENEFICIARY AND OPTIONAL SETTLEMENT DESIGNATION

a. Before the insured is notified of the action taken, the beneficiary and optional settlement designation will be checked to see if they are in order. Where clarification is necessary, VA Form 29-336, Designation of Beneficiary and Optional Settlement, will be sent to the insured for completion.

b. An incompetent Veteran will not be contacted concerning a beneficiary designation.

***References:***

*Forms*

- VA Form 29-336: Designation of Beneficiary

## 25.09 GENERAL

a. There is no legal or regulatory authority that permits a change in a properly established effective date of an insurance contract. However, an effective date may be changed when one of the following situations exists:

   1. If the effective date was incorrectly established by VA at the time of issue or conversion, and evidence shows that provision was made for payment of the proper premium and/or reserve from the effective date claimed to be correct.

   2. Upon receipt of satisfactory evidence that at the time of original issue or conversion the insured was not granted the requested effective date, as long as the previously requested effective date is acceptable and all other requirements are met.

b. The effective date of change will be the same as the corrected effective date established for the insurance contract.

***References:***

*User Guides*

- Reissuing a Policy User Guide in LifePro

## 25.10 GENERAL

a. Where two or more insurance records have been established for the same person, the records will be combined.

b. The order of precedence is V (including RS, RH, J, and K). When an RH application is approved and there is an active J or K record, the record will be combined by the Live Claims Section under the RH number which becomes the file number.

c. Where the records show that there is or was, more than $10,000 any necessary adjustment must be made during the lifetime of insured.

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## Part I Chapter 26 – Beneficiary and Option Settlement


| Subsection | Name |
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| 26.01 | General |
| 26.02 | Requirements and Guidelines in Connection with Beneficiary and/or Option Designations |
| 26.03 | Effective Date of Beneficiary and/or Option Designations |
| 26.04 | Payment to Estates |
| 26.05 | Payment to Contingent Beneficiary |
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| 26.07 | Trustee Designation |
| 26.08 | Assignments |
| 26.09 | Optional Settlements |
| 26.10 | NSLI Options |
| 26.11 | USGLI Options |
| 26.12 | Insureds Who Are Mentally Incompetent |
| 26.13 | Election of Payments on Matured Endowments |
| 26.14 | Beneficiary and Option Designations Where Contract Changes are Involved |


**Publication Date:** November 12, 2021

### 26.01 GENERAL

a. The insured has the right to designate as beneficiary any person or persons, firm, corporation, or other legal entity (including the estate of the insured) individually or as

trustee. Payment will not be made to any estate where such payment would escheat (return to the State).

b. Information as to the beneficiary designation is confidential and privileged and shall not be disclosed to anyone other than the insured or his duly appointed fiduciary during the insured's lifetime, unless authorized by the insured or his fiduciary.

c. A hospital Director is not a duly appointed fiduciary. His fiduciary relationship to an incompetent patient, when it exists, does not arise by appointment in the conventional sense as in the case of a court-appointed guardian.

d. Generally, a separate form representing a designation of beneficiary and/or option is required for each contract. However, an exception will be in those instances where an insured conclusively indicates that a designation applies to all policies.

e. Prior to August I, 1946, beneficiaries were limited to a *Permitted* class, composed of the following relatives:

(1) Widow or widower;

(2) Child or children (also stepchild or illegitimate child if specifically named);

(3) Parent or parents, including parent through adoption and persons who stood in loco parentis for l year or more. (Also, a stepparent if specifically named),

(4) Brother or sister (including those of half-blood and by adoption).

## 26.02 REQUIREMENTS AND GUIDELINES IN CONNECTION WITH BENEFICIARY AND/OR OPTION DESIGNATIONS

a. Beneficiary and/or option designations should be submitted on VA Form 29-336, Designation of Beneficiary and Optional Settlement, or on miscellaneous applications for insurance, change of plan, conversion, etc. Informal applications in correspondence are also acceptable.

b. All beneficiary and/or option designations (both changes and initial designations) must be made by notice in writing to the VA, properly signed by the insured. The designation may be mailed or forwarded to the VA by the insured or his agent and must contain sufficient information to identify the insured.

c. Generally, a designation by class, i.e., *PARENTS,* is not acceptable. The full name of each parent should be shown. However, a designation such as: *ALL CHILDREN BORN OF THIS MARRIAGE, SHARE AND SHARE ALIKE* is acceptable. Also, where the insured names his children, the statement: *ALL CHILDREN BORN OF THIS MARRIAGE AFTER THE DATE OF THIS DESIGNATION* should be included. Where a beneficiary is named, the full name should be shown.

d. Where multiple principal and/or contingent beneficiaries are named and no amounts are shown or there is no explanation such as, *share* and *share alike* or *equally to the survivors,* the VA will assume that the beneficiaries are to share equally in the proceeds. However, where such a designation is received, clarification will be requested from the

insured concerning the share to be paid to each beneficiary and/or the addition of the survivorship clause.

e. Where the amount of insurance specified for a beneficiary or beneficiaries exceeds or is less than the amount of insurance in force, clarification will be requested. Clarification will likewise be requested where amounts are designated by fractions, decimals or percentages and the sum of these exceeds or is less than 1 or 100 percent, as applicable.

f. A designation of beneficiary, but not a change of beneficiary, may be made by last will and testament duly probated. However, if a previous beneficiary and optional designation has been rescinded or cancelled by the insured, and not subsequently updated with a new designation prior to the death of the insured, VA Insurance will accept a designation by last will and testament.

g. A Designation of beneficiary need not be made in the application for insurance but may be made at a later date.

h. The insured has the right to change or cancel the beneficiary designation at any time without the knowledge or consent of the beneficiary. Court orders, that are common in divorce cases, which attempt to limit the insured's right to change his beneficiary, are not binding upon the VA.

i. A designation or change of beneficiary and/or option may not be made by a person having a general power of attorney.

j. If the designated beneficiary of an NSLI insurance contract survives the insured and is entitled to a settlement in one sum but dies before receiving payment or has elected payment in monthly installments under option 2, 3, or 4, and dies before receiving all installments certain, any unpaid proceeds (full amount or present value, as applicable) will be payable to the estate of such beneficiary.

k. When a B&O designation is part of an application for contract change and the application is disapproved, the designation, if otherwise acceptable, will be made a matter of record. A VA Form 29-336 will be released with a dictated letter, requesting the insured to complete, sign and return the form to confirm the designation as it appears on the disapproved application or, if he so desires, to designate a new beneficiary. The designation on the disapproved application will receive regular processing, including assignment of a reel number and microfilming.

l. If the insured uses the carbon copy or the photocopy of a previous designation of beneficiary to request a option change of beneficiary by lining out prior entries and inserting new entries, it will not be accepted unless he has initialed each change and redate the copy. If each change has been initialed and the copy redated, a VA Form 29-336 will be sent to the insured with a request that he complete, sign and return the form. However, if the form is not returned, the change of beneficiary will be accepted and processed. If each change is not initialed nor the copy redated, a VA Form 29-336 will be sent to the insured with the request that he complete, sign and return the form. He will be told that if the form is not returned as requested, the change of beneficiary will not be accepted, and the prior designation will remain as the designation of record. When an insured signs his designation of beneficiary with a mark (X), it must be witnessed by two disinterested persons signing their full names and addresses. If there is any doubt as to the authenticity of the signatures of the witnesses, the insured will be

requested to complete a new designation with different witnesses. [Whenever practical, the form should be witnessed by a VA representative.]

***References:***

*Forms*

- VA Form 29-336: Designation of Beneficiary

## 26.03 EFFECTIVE DATE OF BENEFICIARY AND/OR OPTION DESIGNATIONS

a. A valid designation or change of beneficiary becomes effective as of the date of signature, contingent, of the course, upon its being received in the VA. However, any payment made before notice of designation or change is received in the VA will be considered to have been properly made and to have fully satisfied the obligations of the United States under such insurance policy to the extent of such payments.

b. When a beneficiary and/or option designation is undated or the date is illegible, the postmark date will mad govern. If the postmark date is blank or illegible, the effective date will be the earliest date received in any VA installation or operating element as recorded by a date stamp or a handwritten entry.

c. Requests for a change of beneficiary and/or optional settlement to become effective based on a future marriage, or an anticipated birth of children of the insured, are acceptable. Subsequent developments will determine the validity of such designations.

d. Where an insured submits a designation of beneficiary or requests a change wherein he imposes marriage restrictions, the insured will be advised that the VA may not give effect to any designation which would discontinue the payments in the event of marriage of the beneficiary.

e through j (Deleted by change l.)

## 26.04 PAYMENT TO ESTATES

a. The face amount of insurance, less any indebtedness, will be paid to the estate of the insured in the following instances:

(1) If designated by the insured.

(2) If the designated beneficiary (including contingent beneficiary) does not survive the insured.

(3) If the designated beneficiary (including contingent beneficiary), not entitled to a lump sum payment settlement, survives the insured and dies *before* payment **has** commenced.

(4) If the designated beneficiary (including the contingent beneficiary), not entitled to a lump sum settlement, under an NSLI policy, survives the insured and dies *after* payment has commenced but before receiving all the benefits due and payable, the

present value of the remaining unpaid installments certain shall be paid in one sum to the insured's estate.

b. NSLI matured by death prior to August l, l946, was or is not payable to an estate.

c. USGLI is payable to the estate of the insured *only* in those cases in which no beneficiary survived him. Otherwise, the estate of the last surviving beneficiary is entitled to the present value of any unpaid installments provided the sum payable will not escheat.

## 26.05 PAYMENT TO CONTINGENT BENEFICIARY

a. If the principal beneficiary not entitled to a lump sum settlement survives the insured and dies after payment has commenced, but before all installments certain have been paid, the remaining unpaid installments certain will be paid to the surviving contingent beneficiary as they become due, unless the insured has selected a lump sum settlement for the contingent beneficiary. In that event, the present value of the remaining unpaid installments certain will be paid to the contingent beneficiary in one sum, unless the contingent beneficiary elects to continue to receive the remaining unpaid installments certain as they become due and payable.

b. If the principal beneficiary does not survive the insured, or if the principal beneficiary not entitled to a lump sum payment survives the insured but dies before payment has commenced, the insurance will be paid to the contingent.

## 26.06 CONDITIONAL DESIGNATION OF BENEFICIARY (COMMON DISASTER CLAUSE)

If the insured, by notice in writing to the VA during his lifetime, has provided that a designated beneficiary shall be entitled to the proceeds of his insurance only if such beneficiary survives him for a certain period (not more than 30 days) specified by the insured, the beneficiary has no right to the insurance during that period. If the beneficiary does not survive the specified period, payment of the insurance will be made as if the beneficiary had died before the insured.

## 26.07 TRUSTEE DESIGNATION

a. When a trustee is designated as beneficiary, [the designation should identify the trust and the insured should be asked to sign a statement that the **VA** has no liability to see to the application of the proceeds of Government Life Insurance by the trustee to the fulfillment of the purpose of the trust.] -

b. When an insured designates a trustee as beneficiary of his Government life insurance, he should be permitted to identify the trust agreement intended to govern the trustee's powers, duties and responsibilities, such as "John Doe in trust for the use and benefit of my children ~~~ under trust agreement dated ~~*."

c. If an insured designates as beneficiary a trustee by last will and testament, and the trustee in the beneficiary designation is specified by class rather than name, the designation will be accepted as valid.

## 26.08 ASSIGNMENTS

a. The proceeds of NSLI and USGLI may not be assigned by the insured as collateral for **a** debt, loan, etc.

## 26.09 OPTIONAL SETTLEMENTS

a. During his/her lifetime the insure may select an optional settlement or revoke a previous selection of an optional settlement. No selection or revocation will be valid until notice thereof is received in the VA.

   (1) Options 3 and 4 may not be selected if the beneficiary is a firm, corporation or other legal entity (including the estate of the insured), or trustee.

   (2) An insured may select a different option for each beneficiary or multiple options for a single beneficiary. Where multiple options are selected, the amount (preferably in fractions) should be designated for each option. ~ However, an option specifying a definite amount (for example $2,000 in cash) and the balance under another option will be acceptable.

b. The values for optional settlement installment payments are based on $1,000 of insurance without indebtedness. If there is an indebtedness, the value will be decreased accordingly. If the policy provides for a larger amount of insurance than $1,000, the value will be increased proportionately.

## 26.10 NSLI OPTIONS

a. National Service Life insurance is currently payable in accordance with the following optional modes of settlement:

   (1) Option 1-In one sum (face amount less indebtedness).

   (2) Option 2-In equal monthly installments of from 36 to 240, in multiples of 12.

   (3) Option 3-In equal monthly installments for I20 months certain with such payments continuing during the remaining lifetime of the first beneficiary.

   (4) Option 4-As a refund life income in monthly installments payable for such period certain as may be required in order that the sum of the installments certain shall equal the face value of the contract, less any indebtedness, with such payments continuing throughout the lifetime of the first beneficiary. Settlement will be made under option 3 instead of option 4 in any case in which payment under option 4 would result in installments over a shorter period than 120 months.

b. Option 3 will be substituted for option 4 depending on the age and/or sex of the beneficiary. The age for substitution will vary depending on the particular insurance program involved as indicated below:

c. Option 4- As a refund life income in monthly installments payable for such period certain as may be required in order that the sum of the installments payable for such period certain as may be requires in order that the sum of the installments certain shall equal the face value of the contract, less any indebtedness, with such payments continuing throughout the lifetime of the first beneficiary. Settlement will be made under option 3 instead of option 4 in any case in which payment under option 4 would result in installments over a shorter period than 120 months.

d. Option 3 will be substituted for option 4 depending on the age/and or sex of the beneficiary. The age for substitution will vary depending on the particular insurance program involved as indicated below:

   (1) On V and H if the beneficiary is 69 or more years of age at the time of death of the insured.

   (2) On RS or RH insurance, if a male beneficiary is 78 or more, or a female beneficiary is 80 or more years of age at the time of death of the insured.

   (3) On W insurance, if a male beneficiary is 77 or more, or female beneficiary is 79 or more years of age at the time of death of the insured.

   (4) On J, JR or JS insurance, if a male beneficiary is 74 or more, or a female beneficiary is 77 or more years of age at the time of death of the insured.

e. If the option selected requires payment of monthly installments of less than $10, the proceeds shall be paid under option 2 in such maximum number of installments as are a multiple of I 2 as will provide a monthly installment of not less than $10. If the present value at the time any person initially becomes entitled to payment thereof is insufficient to provide at least 12 monthly installments of not less than $10 each, the present value shall be paid in one sum. The provisions of this paragraph were not applicable to insurance that matured prior to August I, 1946, and are not currently applicable to insurance issued under the J series.

f. A selection or change of beneficiary may not be made by last will and testament except in connection with a designation of a beneficiary by last will and testament.

g. If no option is selected by the insured, settlement will be made in 36 equal monthly installments. The beneficiary may, however, elect to receive settlement under option 2, 3 or 4.

h. If the insured selects option 1, the beneficiary upon the death of the insured may elect option 2, 3 or 4. In the event of the death of such beneficiary, the present value of any unpaid guaranteed installments will be payable to the estate of the beneficiary to the exclusion of any contingent beneficiary designated by the insured. If the insured makes no selection or selects option 2, 3 or 4 and the principal beneficiary and contingent beneficiary, if any, die before receiving the guaranteed number of installments, the present value of such remaining unpaid installments will be payable to the estate of the insured.

i. From October 8, 1940, until September 30, 1944, payments were made according to age and only to persons within the permitted class.

(1) Those under age 30 received $5.51 per $1,000 of insurance for 240 months.

(2) Those over age 30 received a life income identical with the present option 3.

j. Commencing September 30, 1944, all beneficiaries under age 69 could select a Refund Life income, which is the present option 4.

## 26.11 USGLI OPTIONS

a. United States Government Life insurance is currently payable in accordance with the following optional modes of settlement:

(1) Option 1-In one sum (face amount less indebtedness).

(2) Option 2-In equal monthly installments of from 36 to 240, in multiples of I2.

(3) Option 3-In equal monthly installments payable throughout the lifetime of the principal beneficiary. If the beneficiary dies before 240 such installments have been paid, the commuted value of the remaining unpaid installments (240 less the number paid) will be payable to the estate of the beneficiary, unless otherwise directed by the insured.

(4) Option 4-In equal monthly installments payable throughout the lifetime of the principal beneficiary, but if the principal beneficiary dies before 120 such installments have been paid, the commuted value of the remaining unpaid installments (I20 less the number paid) will be payable to the estate of the beneficiary, unless otherwise directed by the insured.

b. Unlike NSLI, the holder of a USGLI policy may make a change of option (one sum only) by last will and testament.

c. If no option is selected by the insured, settlement will be made in 240 equal monthly installments, but the designated beneficiary may elect to receive settlement under option 2 for a shorter period or options 3 or 4.

d. If the insured selects option I, the beneficiary upon the death of the insured may elect option 2,3, or 4. In the event of the death of such beneficiary, the present value of any unpaid guaranteed installments will be payable to the estate of the beneficiary to the exclusion of any contingent beneficiary designated by the insured. If the insured makes no selection or selects option 2, 3, or 4 and the principal beneficiary and contingent beneficiary, if any, die before receiving the guaranteed number of installments, the present value of such remaining unpaid installments will be payable to the estate of the beneficiary.

e. The $10 limitation described in paragraph 26.10c is not applicable to the settlement of a USGLI contract.

***References:***

*User Guides*

- Procedures for Processing Surrender Request for Commuted Value without Actuarial Calculation Needed in VISION and LifePRO
- Procedures for Commuted Value when Actuarial Calculations are Required in VISION and LifePRO

## 26.12 INSUREDS WHO ARE MENTALLY INCOMPETENT

a. A mentally incompetent insured lacks testamentary capacity and cannot execute a valid designation or change of beneficiary and/or option.

b. When it is determined that the insured was mentally incompetent at the time he or she attempted to change the beneficiary, such act is a nullity and the original beneficiary has such an interest in the proceeds as will entitle him or her to void the change and recover under the policy.

c. An insured adjudged incompetent by a court or held incompetent by a rating agency of the VA may nevertheless execute a valid designation or change of beneficiary during a lucid interval. In general, this requires acceptable evidence that he or she reasonably comprehends the nature and significance of his or her act.

d. When application for RH insurance is made by a [legal] guardian [ j, the beneficiary will always be the estate of the insured.

e. The [legal] guardian of an insured when the insured has been adjudged incompetent by a court or held incompetent by a rating agency of the VA may *not* make an original designation of beneficiary or optional settlement for the insured. `When the [legal] guardian [submits such a designation or request for change, the request will be filed in the insurance folder. The [legal] guardian will be advised that the request has been made a matter of record.

## 26.13 ELECTION OF PAYMENTS ON MATURED ENDOWMENTS

At the date of maturity of an endowment, the insured may elect to receive payment in monthly installments under option 2 or 5 in lieu of receiving payment in one sum. He or she will have the right to designate a beneficiary or beneficiaries to receive the remaining unpaid guaranteed monthly installments at his or her death. If the insured dies before receiving all of the guaranteed monthly installments, and no designated beneficiary survives, the present value of the remaining unpaid guaranteed installments will be paid to the estate, provided such payment would not escheat. If the designated beneficiary survives the insured, the present value of any unpaid guaranteed installments will be paid to such beneficiary in one sum, unless the insured or the beneficiary has elected to continue payment of the unpaid guaranteed installments under the option selected by the insured.

**NOTE**: Upon maturity of an endowment policy, the beneficiary designations under the policy are extinguished. The application for payment of matured endowment permits the insured to designate principal and/or contingent beneficiaries to receive any [ j unpaid [guaranteed] installments at this death. [The Insurance Division will process beneficiary

designation applications on matured endowment contracts payable in installments even though the matured contract has been transferred to the Insurance Awards System.

## 26.14 BENEFICIARY AND OPTION DESIGNATIONS WHERE CONTRACT CHANGES ARE INVOLVED

Where a reduction, division, consolidation, conversion, reinstatement or other underwriting change is affected and the beneficiary and/or option designation is not clear, clarification will be requested by release of VA Form 29-336.

***References:***

*Forms*

- VA Form 29-336: Designation of Beneficiary

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## Part I Chapter 27 – Issuance of Replacement Policies and Riders


| Subsection | Name |
|---|---|
| 27.01 | General |
| 27.02 | Requirements |


**Publication Date:** August 16, 2019

### 27.01 GENERAL

Insurance policies and/or total disability income provision riders may be issued to replace those that have been lost or destroyed.

### 27.02 REQUIREMENTS

a. A request by an insured or by a third party for a replacement policy and/or rider will be accepted as a valid application.

   1. When the correspondence is not signed by the insured or is submitted by a third party, the policy and/or rider will be sent to the insured at the address of record.

   2. If the request is signed by the insured, the document(s) may be mailed to anyone they request.

   3. If the request is for a term policy, the effective date of the current term period will be shown.

b. In most instances, the replacement policy and/or rider will be prepared by a computer-generated input. However, if the policy cannot be systematically generated, the request will be forwarded to the Policyholders Services Division, manually prepared, and released.

c. Replacement policies and/or riders will not be marked as a duplicate or replacement policy.

d. Replacement of policies and/or riders will be authorized only when the insurance is in force under premium-paying conditions, extended term insurance, or paid up insurance.

e. When the insurance is lapsed and not in force under extended insurance, a replacement policy will not be issued. Instead, the Veteran will be furnished reinstatement requirements provided the contract is eligible for reinstatement.

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## Part I Chapter 28 – Cancellation, Fraud or Forfeiture


| Subsection | Name |
|---|---|
| 28.01 | General |
| 28.02 | Decision of Fraud |
| 28.03 | Fraudulent Enlistment |
| 28.04 | Forfeiture under 38 USC 1911 |
| 28.05 | Death Inflicted as Lawful Punishment for Crime or Military or Naval Offense |


**Publication Date:** August 16, 2019

### 28.01 GENERAL

a. A cancellation is the action taken to invalidate an insurance contract or to nullify a reinstatement or a contract change, such as conversion, renewal, or change of plan.

b. Authorizations for cancellation, fraud or forfeiture actions are provided by law and VA regulations, as follows:

1. Statutes:

- USGLI (United States Government Life Insurance) 38 U.S.C. 1954
- NSLI (National Service Life Insurance) 38 U.S.C. 1910 and 1911

2. Regulations:

- USGLI (United States Government Life Insurance) 38 CFR §6.3
- NSLI (National Service Life Insurance) 38 CFR §8.29

***References:***

- 38 U.S.C. 1954: Forfeiture
- 38 U.S.C. 1910: Incontestability
- 38 U.S.C. 1911: Forfeiture
- 38 CFR 6.3: Incontestability of United States Government Life Insurance
- 38 CFR 8.29: Policy Provisions

### 28.02 DECISION OF FRAUD

a. If, upon application for insurance, reinstatement, exchange, conversion of term insurance, or change of plan but before any monies are paid in reliance on said application, it is determined that fraud was involved in the procurement of the contract, a fraud decision will be rendered by the Insurance Claims Division. The fraud decision will be the authority for canceling the insurance, or the authority for canceling other actions taken and restoring the insurance to its status before such action was taken.

b. If a fraud decision is rendered under paragraph a, but monies were received with the application or request for action, the disposition of monies will be governed by the following:

    1. Premiums paid before the date of the fraud decision which are earned as of the date of the fraud decision are not 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 offset without the permission of the insured.

c. Refunds are made to payees in the following order of preference:

    1. To the insured, if living.

    2. To the beneficiary, if the insured is deceased.

    3. To the insured's estate, if no beneficiary survives.

d. The following items are not subject to refund:

    1. Reserve payments submitted in connection with antedated issues or conversions.

    2. Difference in reserve on changes of permanent plans from lower to higher reserve values.

    3. Premiums in arrears including interest on reinstatement.

**NOTE**: Premiums retained will remain in the trust funds or appropriations to which they are deposited.

e. In cases where any loan, dividend, difference in reserve on a change in plan from a higher reserve, death award, or other payment is disbursed but would not have been disbursed except for the fraudulent act, an administrative decision shall be made as to the question of fraud and cases of potential fraud shall be referred to VA's Office of Inspector General. See also VA Insurance Circulars 29-02-16 and 29-03-16 (setting forth procedures for deciding issues of administrative fraud and referring cases to VA Office of Inspector General for consideration of potential criminal fraud.) This process

will satisfy VA's duty to make administrative decisions as to potential fraud and to refer cases to VA's Office of the Inspector General when there is evidence of possible criminal activity pursuant to 38 CFR 1.204.

1. If the insured is deceased and erroneous death insurance benefit payments have been made, it will be necessary for the Insurance Accounting staff to offset the erroneous payments.

***References:***

- 38 CFR 1.204: Information to be Reported to the Office of Inspector General

*Circulars & SOPs*

- VAIC Circular 29-06-2017: Insurance Fraud Reporting Procedures for VA Insurance Employees

## 28.03 FRAUDULENT ENLISTMENT

a. Subject to the provisions of title 38 U.S.C. 1910 and 38 CFR 8.29, insurance issued, reinstated, or converted is incontestable, except for fraud, nonpayment of premiums, or on the grounds that the applicant was not a member of the military or naval forces of the United States. 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 Assistant Director for Insurance Operations determines that the insured was mentally or legally incapable of entering into a contract of enlistment. Where it has been determined that the insured was mentally or legally incapable of entering into a contract of enlistment, any insurance issued on the basis of such service will be canceled as of the effective date of the insurance.

b. Fraudulent enlistments may be indicated in court-martial orders, copies of discharge papers, etc. When any material is received which indicates a fraudulent enlistment, the facts will be fully developed.

***References:***

- 38 U.S.C. 1910: Incontestability
- 38 CFR 8.29: Policy Provisions

## 28.04 FORFEITURE UNDER 38 U.S.C. 1911

a. Any person 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 force, shall forfeit all rights to NSLI. However, the contract values, if any, of such insurance as of the date of such offense shall be paid to the insured, if living, or otherwise to the designated beneficiary or beneficiaries.

b. The service departments furnish VA with electronic documents, other documentation, and/or data establishing the general or special court-martial orders announcing approved findings of courts-martial involving mutiny, treasonable acts, spying,

desertion, or refusal to perform service in the Armed Forces of the United States or refusal to wear the uniform of such forces because of conscientious objections. The following list sets forth offenses in violation of the Uniform Code of Military Justice, which may be cause for forfeiture:

| Offense | Uniform Code of Military Justice Article No. |
|---|---|
| Desertion | 85 |
| Mutiny | 94 |
| Treason | 104 |
| Spying | 106 |

c. Where insurance is canceled because of forfeiture, the disposition of premiums will be governed by the following:

   1. 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.

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

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

***References:***

- 38 U.S.C. 1911: Forfeiture

## 28.05 DEATH INFLICTED AS LAWFUL PUNISHMENT FOR CRIME OR MILITARY OR NAVAL OFFENSE

a. Under provisions of title 38 U.S. Code and VA regulations, no insurance shall be payable for death inflicted as a lawful punishment for crime or for military or naval offense, except when inflicted by an enemy of the United States. However, the cash surrender value, if any, of such insurance on the date of such death shall be paid to the designated beneficiary or beneficiaries, if living, or otherwise to the beneficiary or beneficiaries within the permitted class in accordance with the order specified in 38 U.S.C. 1916(b) for NSLI or to the estate of the insured for USGLI.

b. Where satisfactory evidence discloses that death was inflicted as a lawful punishment for crime, or for military or naval offense, other than forfeiture as defined in 38 U.S.C. 1911 for NSLI, the insurance will be canceled as of the date of execution.

***References:***

- 38 U.S.C. 1916: Insurance Which Matured Before August 1, 1946
- 38 U.S.C. 1911: Forfeiture

**Washington, DC 20420**

# Key Changes

| | |
|---|---|
| **Rescissions** | M29-1, Part 1, Chapter 29 is being removed in its entirety as it no longer applicable to the insurance programs. |
| **Authority** | By Direction of the Under Secretary for Benefits |
| **Signature** | |
| | Vincent E. Markey, Director<br>Insurance Service |
| **Distribution** | LOCAL REPRODUCTION AUTHORIZED |

# Key Changes

| | |
|---|---|
| **Rescissions** | M29-1, Part 1, Chapter 30 is being removed in its entirety as it no longer applicable to the insurance programs. |
| **Authority** | By Direction of the Under Secretary for Benefits |
| **Signature** | Vincent E. Markey, Director<br>Insurance Service |
| **Distribution** | LOCAL REPRODUCTION AUTHORIZED |

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**Publication Date:** September 06, 2019

## 31.01 TOTAL DISABILITY

Total disability is defined as any impairment of mind or body which continuously renders it impossible for the insured to follow any substantially gainful occupation. Continuous, as referred to above, means with reasonable regularity or continuity. It should not be restricted or interpreted in its absolute sense. Substantially gainful occupation is any kind of work for which the insured may be fitted, trained, or qualified mentally and physically. The occasion, source, or cause of the insured's disability (physical or mental due to injury or illness/disease) is immaterial. The fact that the disability resulted from the insured's misconduct is immaterial.

## 31.02 STATUTORY DISABILITY

Statutory disability is defined, without prejudice to any other cause of disability, as the permanent loss of the use of both feet, of both hands, or of both eyes, or of one foot and one hand, or of one foot and one eye, or of one hand and one eye, or the total loss of hearing of both ears, or the organic loss of speech, shall be deemed to be total disability for insurance purposes.

a. The loss of use of a foot or hand shall be deemed to exist when no effective function remains other than that which would be equally well served by an amputation stump with use of suitable prosthetic appliance; i.e., when the member is impaired in effectiveness to a degree where there is loss for all practical purposes of those functions for which the member is normally used.

b. The loss of use of an eye shall be deemed to exist when the disabled person has impairment of central visual acuity in such eye to 5/200 or less after correction, or where the visual field of such eye has been reduced by concentric contraction to within 5 degrees or less of point of fixation. This is based on the VA Rating Schedule of Disability for Organs of Special Sense that grants a 100% rating for loss of use of eye based on visual acuity or visual field.

c. Total loss of hearing shall be deemed to exist where the disabled person has sustained the total loss of bone and air conduction in both ears under current testing criteria after an audiology examination.

d. Organic loss of speech shall be deemed to exist where the disabled person has lost the ability to express himself either by voice or whisper through the normal organs of speech by reason of organic changes in such organs. Where such loss exists, the fact that some speech can be produced through the use of artificial appliance or other organs of the body will be disregarded.

## 31.03 PRIMARY REQUIREMENTS

Disease or injury per se, unless statutory, is insufficient to support an affirmative finding of total disability, no matter how severe. Such finding must be based upon disease or injury with unemployment resulting therefrom. Similarly, such finding may not be based upon unemployment in conjunction with disease or injury in the absence of evidence establishing that such unemployment is the reasonable consequence of the disease or injury.

a. It must be established that the existing disease or injury is sufficient to lay the foundation for the claim for insurance benefits. It is then a question of the extent of impairment. The extent of the injury or disease as reflected in his/her unemployability must be considered. It should be borne in mind that under existing criteria it is not necessary that an insured establish complete helplessness and unemployability in order to persuade the VA to acquiesce in totality. It is sufficient that, by reason of his/her physical or mental condition, the insured has been deprived of ability to perform a substantial amount of work performed by others engaged in the same occupation. One must avoid the danger of projecting him/herself into the insured's shoes. To say that one would not consider him/herself totally disabled under the same circumstances is merely to beg the question unless one has first satisfied him/herself that, except for the insured's impairment he/she and one's self are equal. Such a comparison would very likely not properly evaluate the difference in will power, in tenacity of purpose to overcome the handicap, and in resistance between the insured and one's self. As a proper approach to a sound determination, consideration must be given to the effect of special factors, such as convalescence, apparent arrest, remission, anatomical losses, and certain diseases, such as epilepsy, leprosy and mental diseases, which are frequently prone to render the insured an industrial outcast.

b. The questions to be determined are: Does the insured have an impairment? Does the impairment in fact prevent him from continuously following substantially gainful employment? Is the disability (for total and permanent insurance benefits) founded upon conditions which render it reasonably certain that the disability will continue throughout the life of the disabled person?

## 31.04 DISTINCTION BETWEEN COMPENSATION OR PENSION AND INSURANCE ADJUDICATION

The standards for determining the degree of disability for pension or compensation purposes and insurance are distinctly dissimilar. The extent of disability for pension or compensation purposes is determined on the basis of a rating schedule founded on average-person impairment. In contrast, since the rights to insurance benefits are founded on contract, the extent of disability must be measured by its effect on the insured in the individual case. The former cannot be determinative for insurance purposes and the latter cannot be determinative for pension or compensation purposes. Accordingly, consideration must be given to the particular facts in each case, such as age, type of work the individual is trained for, his/her mental capacity, his/her mental attitude, and his/her educational background.

**Note**: The definition of "average-person impairment" is a test the courts use to evaluate ratings for compensation and pension purposes. The test gets its name from its use in the statutes, as follows, "the ratings shall be based, as far as practicable, upon the average impairments of earning capacity resulting from such injuries in civil occupations." 38 USC 1155; "Any disability which is sufficient to render it impossible for

the average person to follow a substantially gainful occupation." 38 USC 1502(a)(4)(A); Brown v. Derwinski 2 Vet. App. 444 (1992).

***References:***

- 38 U.S.C. 1155: Authority for Schedule for Rating Disabilities
- 38 U.S.C. 1502: Determinations with Respect to Disability

## 31.05 HOSPITALIZATION

Based on the fact that an individual cannot work and be an inpatient in a hospital at the same time, an insured undergoing hospitalization for treatment of disease or injury is considered totally disabled. This rule does not apply where the insured is hospitalized solely for purpose of quarantine or observation.

## 31.06 CONVALESCENCE

Though an insured's injuries may have healed, or the disease from which he/she has suffered is no longer active, if it is prudent and sound medically for him/her to remain in convalescence for a further period to recoup his/her strength, such further period will be considered as one of total disability. The length of periods of convalescence which will be so considered varies with the individual case, with relatively short periods being adequate generally in cases of acute disease or injury which are not extensive and considerably longer periods in cases of chronic disease or injury of extensive nature. Some diseases require prolonged convalescence. Because of difficulty in determining when the disease has ceased to be active, and proneness to reactivation, definite arrest is often times not determined until a relatively long period of restricted activity coupled with a regimen of rest has expired. During such period the insured must demonstrate a favorable response to graduated exercise. Accordingly, in the absence of affirmative evidence to the contrary, the insured during such period may be considered as totally disabled.

## 31.07 EPISODIC/REMISSION

a. Physical Illness/Diseases or Injuries - Many physical illness/diseases or injuries, such as multiple sclerosis, Hodgkin's disease, cancer, and seizures are prone to periods of remission. This means that the condition may be temporarily inactive and have a lesser impact on the Veteran's ability to work.

b. Mental Illness/Diseases - Many mental illness/diseases, such as schizophrenia, anxiety, depression, PTSD, or bipolar disorder are episodic in nature (when on or off medication). This means that the condition may improve during certain periods while the Veteran is on medication or in therapy.

c. In all such instances related to a and b above, the Veteran should not be considered as recovered following a period of active symptoms unless it is found that the episode/remission is definite and complete. Where there is a period of relative good health intervening between two periods of active symptoms, a finding of total disability with respect to the intervening period would depend upon the length and extent of this period. If it was so brief as to raise a doubt as to its being a period of relative good

health or so limited that there was no opportunity to demonstrate ability to work, an affirmative finding in this connection may be made. Also, even though the period extended over several months, if the period of relative good health was only partial, the insured would be considered as totally disabled. The latter conclusion would not be reached, however, in the presence of an affirmative record of continuous and substantially gainful employment during such period.

## 31.08 MEDICAL CONDITIONS THAT LEGALLY BAR EMPLOYMENT

An individual's medical condition may legally prevent them from being employed in certain types of occupations (e.g. epileptics operating heavy machinery or driving). This is not in and of itself sufficient to support a finding of total disability; but it must be given consideration in cases where other pertinent factors are not sufficiently persuasive for an affirmative finding in this connection.

## 31.09 AGE

Age is an important factor in determining whether an individual is capable of following an occupation efficiently; not because age itself is a deterrent to, or a criterion for one's ability to work, but rather because of the body changes accompanying the aging process. Because of the principle of making total disability findings on the basis of individual impairment, we must consider the debilitating effect of age upon the particular individual concerned and not upon the average person. Accordingly, retirement, irrespective of the category of employment involved, is not persuasive in determining whether one has become totally disabled. The determination must be based on the degree of impairment of mind and body due to disease or injury and the degenerative effects of aging. These must be evaluated in the light of the vocational experience of the individual concerned. However, while the degree of impairment must be considered in relation to the physical and mental rather than the chronological age of the individual affected, it is still to be remembered generally that the same degree of impairment may be more limiting for an older employee than for a younger one.

## 31.10 EXTENT AND NATURE OF WORK

Total disability as defined above does not mean the insured is unable to perform a particular occupation, but rather means the insured is unable to perform any continuous and substantially gainful occupation. However, the rule must be applied reasonably with relationship to those occupations for which the insured's prior vocational or professional experience and background equip him/her. If the insured’s education, experience, or background would allow for substantially gainful employment in other occupations, he/she would not necessarily be considered totally disabled. However, in the face of facts demonstrating his/her inability to perform his/her previous or similar occupations, mere speculation as to what work he/she might be able to perform should be avoided.

## 31.11 AVERAGE HOURS AND WAGES

The words continuously and substantially gainful in the definition of total disability relate to the particular work or position in which the insured has been customarily employed. It is not necessary that he/she work the maximum number of hours or receive the maximum rate of pay for the job. If he/she works an extensive period without excessive loss of time due to illness and receives income within the range usually paid for similar work, the employment should be considered continuous and substantially gainful. A brief period of employment, however, should not be too readily accepted as proof of continuous and substantially gainful work, for an unsuccessful work attempt is indicative of continuing disability. See 31.25.b. Marginal employment shall not be considered substantially gainful employment. For purposes of this section, marginal employment generally shall be deemed to exist when an insured's earned annual income does not exceed the amount established by the U.S. Department of Commerce, Bureau of the Census, as the poverty threshold for one person. Marginal employment may also be held to exist, on a facts found basis (includes but is not limited to employment in a protected environment such as a family business or sheltered workshop (See 31.13 through 31.15)), when earned annual income exceeds the poverty threshold. Consideration shall be given in all claims to the nature of the employment and the reason for termination. (See 38 CFR 4.16)

***References:***

- M29-1, Part I, Chapter 31, Section 31.25: Multiple Periods of Total Disability
- M29-1, Part I, Chapter 31, Section 31.13: Sheltered Employment and Working to One's Detriment
- M29-1, Part I, Chapter 31, Section 31.14: Compensated Work Therapy
- M29-1, Part I, Chapter 31, Section 31.15: Self-Employment
- 38 CFR 4.16: Total Disability Ratings for Compensation Based on Unemployability of the Individual

## 31.12 SPORADIC AND PART-TIME EMPLOYMENT

If it is found that the work record of an insured reflects only part-time employment; or, if full time, that such work was of a sporadic nature, the medical aspects of the case must be carefully considered to ascertain if the insured is able to carry on steadily on a full-time basis. If not, the work record should be disregarded.

a. Part-time employment is 20 hours or less per week.

b. Sporadic employment can be full or part-time; however, it occurs infrequently, irregularly, or in scattered instances rather than on a continuous or regular basis.

## 31.13 SHELTERED EMPLOYMENT AND WORKING TO ONE'S DETRIMENT

a. Sheltered employment is not a substantially gainful occupation because the insured cannot work in a competitive environment. For instance, if the insured requires a considerably higher degree of supervision than his/her fellow workers, or if there is always someone present to fill in for him/her, the insured is working in a sheltered employment setting and is not substantially gainfully employed. A decision that the insured is working in sheltered employments should only be made on the basis of evidence reflecting the day-to-day details of the work.

b. There are cases where an insured is continuously following a substantially gainful occupation, but is injuring his/her physical or mental health by so doing. In such cases, the insured is considered to be totally disabled despite the work record, because he/she is working to the detriment of his/her health. The test to be used in such cases is whether the insured has the ability to work without serious peril to his/her life or health, or without the risk of substantially aggravating the ailment with which he/she is afflicted. However, this principle cannot be used to grant benefits indefinitely. If the insured, does in fact, continuously follow a substantially gainful occupation for an extended period of time, and if there is no evidence that his/her physical or mental health has been impaired, disability benefits should be stopped because the evidence shows in fact that the insured was not working to his/her detriment.

## 31.14 COMPENSATED WORK THERAPY

VA's Compensated Work Therapy Program aims to provide veterans an opportunity to gain valuable long term employment skills and also give them the resources they need for a hopeful future. Insureds who are part of this program or who are residents of a VA Domiciliary and can perform some degree of work under close supervision as a form of rehabilitation therapy, not in competition with able bodied persons, are not substantially gainfully employed. Pay in association with these programs is a gratuity or an award payable by VA to the patient or member as a part of the expense of the therapeutic and rehabilitative program as distinguished from salary or wages, earnings or an additional monetary benefit to the Veteran. Such employment will be not considered in determining the total disability of the insured.

## 31.15 SELF-EMPLOYMENT

Where the insured is engaged in the operation of his/her own business, care must be taken in determining whether the operation is in fact substantially gainful for purposes of granting total disability insurance benefits. The important factors to be considered in these cases are those related to physical and mental participation in the business; the number of hours worked per day, the number of days per week the insured is so engaged, and the nature of the duties performed, etc.

## 31.16 REQUIREMENTS

The insured or a person acting on his/her behalf must submit written application, as follows:

a. For V, J, JR, JS, RS, or W policies, either:

   1. Proof of statutory disability, or

   2. Proof of total disability of six or more consecutive months, which commenced on or subsequent to the effective date of insurance or date of application, whichever is later, while the insurance was inforce on a premium paying basis, prior to age 65.

b. For SDVI policies, either:

1. Proof of statutory disability, or

2. Proof of total disability of six or more consecutive months prior to age 65.

**NOTE**: If the evidence on file is sufficient to prove total disability for six or more consecutive months prior to age 65 at the time of application for Basic S-DVI, waiver of premium may be processed without a formal application for waiver.

c. In the event of the death of an insured who did not file an application for waiver, an application may be filed by the beneficiary, with evidence of the insured's right to waiver, within 1 year after the death of the insured; or, if the beneficiary is incompetent or a minor, such beneficiary may file application, with evidence of insured's right to waiver, within 1 year after removal of the legal disability or proof of age of majority. This provision does not grant any rights to Supplemental S-DVI after death, even if such waiver is granted. (See Chapter 15)

***References:***

- 38 U.S.C. 1912: Total Disability
- 38 U.S.C. 1922: Legacy Service-Disabled Veterans' Insurance
- M29-1, Part I, Chapter 15: ARH Insurance

User Guides

- Waiver Application Process User Guide in VISION and LifePro

## 31.17 INSURANCE DEEMED IN FORCE (PREMIUM-PAYING BASIS)

a. The term premium-paying basis applies to all insurance programs. However, as noted in 31.16b, waiver of premiums can be issued on S-DVI, even if the total disability began prior to the policy issuance/effective date.

b. Insurance will be deemed to be in force on a premium-paying basis in any instance where information from the service department shows that an allotment for payment of premiums was established for the contract, even though deductions from pay for such purpose were not made.

c. Extended insurance will not be considered as insurance in force on a premium-paying basis as the wording of the contract of insurance itself provides for extended insurance only after the policy has lapsed.

***References:***

- M29-1, Part I, Chapter 31, Section 31.16(b): Requirements

## 31.18 NECESSITY FOR A CLAIM

An NSLI policy is a contract between the U.S. Government and the insured. It sets the rights, responsibilities, and liabilities of both under the contract. In the event of disagreement as to claim, an action on the claim may be brought against the United

States under the provisions of 38 U.S.C. 1984. The purpose of requiring the filing of a claim as prerequisite to suit on the policy is to give the Government notice that claim is being made so it may make investigation and award any benefits due without being subjected to the expense of litigation. A claim after death for insurance benefits is a claim for waiver of premiums. Should the waiver of premium not be considered at point of claim, it can still be applied for if necessary, to mature the insurance under 31.16c.

***References:***

- 38 U.S.C. 1984: Suits on Insurance
- M29-1, Part I, Chapter 31, Section 31.16(c): Requirements

## 31.19 DEFINITION OF CLAIM

a. A claim is any correspondence from the insured or any person acting on his/her behalf which indicates an intent or desire to file claim for disability insurance benefits under NSLI. The date of this correspondence will be used to determine the timeliness of the claim. However, the claimant may be required to furnish a formal claim for the pertinent information needed.

**NOTE**: The submission of an online application through the VA Insurance website by the insured is considered a valid claim for insurance benefits. Additionally, emailed applications from the insured or any person acting on his/her behalf will be considered a valid claim for insurance benefits.

b. The signature of the insured or any person acting on his/her behalf is not required on the claim, if the intent to apply is clear. If there is doubt as to the insured's authorization of the paper, appropriate inquiry should be made of him/her to learn whether he/she did authorize the action.

**NOTE**: The submission of an online application through the VA Insurance website by the insured will be considered a valid, signed application due to the online credentialing required as part of the application process.

c. An inquiry as to the status of insurance will not be considered a claim for disability insurance benefits. In instances where a claim is filed by someone on behalf of the insured, and it appears that the insured may be incompetent or otherwise incapable of filing on his/her own behalf, the claim will be accepted for purposes of establishing a claim date. Claims for compensation, pension, or educational benefits are not considered claims for disability insurance benefits.

d. If the insured dies without filing a claim for waiver, such claim may be filed by the beneficiary within l year after the death of the insured. If the beneficiary be incompetent or a minor, claim may be filed within l year after removal of legal disability.

e. When an insured files a claim for total or total and permanent disability insurance benefits, it will apply to all basic insurance contracts in effect. This does not include Supplemental S-DVI plans of insurance. For example, if the insured has a V policy and an RH policy and the claim only indicates the V policy, approved disability insurance benefits would apply to both the V and RH policies.

## 31.20 TIMELINESS OF FILING A CLAIM

a. The maximum amount of premiums eligible to be refunded cannot exceed more than one year of back premiums from the date of application for waiver in the absence of satisfactory evidence of circumstances beyond the insured's control which prevented his or her making timely claim. The one-year maximum premium refund rule applies regardless of whether the insured is living or deceased. See 31.20b for handling of waiver in case of deceased insured.

b. Similarly, with timely applications filed by beneficiaries after the death of an insured, waiver of premiums becoming due more than l year prior to death may not be waived unless the insured's failure to timely file claim was due to circumstances beyond his or her control. Circumstances or conditions which may permit, although not necessarily require, a finding that the insured was prevented by circumstances beyond his or her control from filing a timely claim, may include mental or physical disability of such severe degree as to render the insured incapable of taking care of his or her affairs within a reasonable timeframe, or when there are other unusual and extenuating circumstances which are a reasonable cause of the insured's failure to make timely application. Generally, the lack of knowledge of the nature of his or her disability is not a circumstance beyond the insured's control. However, there are exceptions to this general rule. If the insured did not know that he or she was suffering from a terminal illness until death became imminent, the failure to timely file claim will be excused. If the insured lacks knowledge of the nature of his or her disability and does not realize how disabled he or she is, but tries unsuccessfully to work, or, if he or she lacks knowledge of the nature of his or her disability and continues in substantially gainful work at a detriment to his or her health, the failure to timely file claim will be excused. If any VA office or system receives information in writing that discloses the existence of severe disabilities and potential entitlement to disability insurance benefits and fails to apprise the insured of his or her probable rights to the benefits, such failure is deemed an incomplete action by VA and, as such, constitutes extenuating circumstances that will excuse the failure to timely file claim. When circumstances beyond the control of the insured excusing the failure to file timely are found, waiver of premiums will be effective during the one-year period prior to the filing date plus the period during which he or she was prevented from filing.

c. The appointment of a guardian does not change the requirement for timely filing of claim. Even though the guardian may neglect for years to file a claim on behalf of the insured, the test remains whether or not the insured was prevented from filing claim on time due to circumstances beyond his or her control.

***References:***

- M29-1, Part I, Chapter 31, Section 31.20(b): Timeliness of Filing a Claim

## 31.21 DEFINITION OF EVIDENCE

a. Evidence is any proof that:

   1. establishes or helps to establish a fact or the truth of a statement,

2. makes clear an issue or question, or

3. tends to prove or disprove any matter in question, or to influence the belief respecting it.

b. Proof is a type of evidence that provides legally sufficient reasoning to establish the claim of the insured, a person acting on his/her behalf, or his/her beneficiary. Testimony is a still more restricted form of evidence that is delivered by a witness in a legal action, either orally or in the form of affidavits or depositions.

## 31.22 EVIDENCE IN SUPPORT OF CLAIM

a. All pertinent evidence to substantiate the eligibility and timeliness of a claim must be filed before any final action may be taken. Such evidence may include:

1. detailed medical and occupational records,

   a) Such evidence may include a complete report of the insured's employment status, indicating the manner in which he or she performs his or her work (if any) notwithstanding his or her impaired condition.

   b) Medical diagnoses must be supported by appropriate findings set forth in the records; and such findings must indicate the degree of severity of the impairment.

   c) Employment evidence should include the exact dates of employment; the nature of the work involved; the amount of time lost from work on account of illness or injury; the insured's reason for terminating his or her employment; and all other facts necessary in determining the scope of employment and the duties and responsibilities of the insured.

   d) The educational and vocational background of the claimant should be ascertained.

2. proof that the insured failed to file a timely claim due to circumstances beyond his or her control, or

3. documentation that indicates potential fraud in obtaining or reinstating the insurance,

4. information that suggests a possibility of incompetency, (An independent determination of incompetency is not necessary if the insured has been determined incompetent by a court or has been rated incompetent by VA.)

5. proof of entitlement under 38 USC 1914

b. Pertinent evidence is evidence that is relevant or applicable to the matter at issue.

c. Lay evidence may be submitted when private medical statements or employer statements are not available or to supplement such statements. The weight to be given the lay evidence must depend entirely on facts and circumstances in the individual case. In each case, the merits of the claim must be determined on the basis of the nature and extent of disability in official clinical records, VA medical reports, statements of reputable private physicians, and the official report of the employer. Lay evidence in conflict with such records cannot as a general rule be accorded substantial weight. On the other hand, if such records are not obtainable, lay evidence should be considered as it may be the only evidence obtainable.

***References:***

- 38 U.S.C. 1914: Statutory Total Disability

## 31.23 PERIODS OF TOTAL DISABILITY

To establish total disability for insurance purposes, the claimant must prove based on evidence of record that they were unable to perform substantially gainful employment for a period of six or more consecutive months. The six-month criteria does not apply when a statutory disability exists.

## 31.24 BEGINNING AND ENDING DATES OF TOTAL DISABILITY

The beginning date of total disability will be that date on which, according to the evidence of record, the insured was first shown to be suffering from an impairment of mind or body which continuously thereafter rendered it impossible for him or her to follow any substantially gainful occupation. When the beginning date is based on some event, such as medical treatment or cessation of employment, which occurred in a certain month, but the exact date is not known, the last day of the month will be presumed to be the date in question. If the period of total disability has ended because of the insured's return to work or because of evidence showing his or her ability to again engage in continuous and substantially gainful employment, the ending date of the period of total disability will be either the date prior to the date of return to work or the date on which the medical evidence first showed that the insured's disability was no longer total in degree.

## 31.25 MULTIPLE PERIODS OF TOTAL DISABILITY

a. When the evidence reflects a period of six months total disability for both service-connected (SC) and non-service connected (NSC) conditions, the follow rules will apply:

   1. If total disability is due to a NSC condition occurring after the insurance is in effect, waiver can be granted. Example: Application for S-DVI is received and approved from a Veteran who is 35 years old. He/She is paying premiums. At 50 years old, he/she is involved in a car accident and becomes totally disabled due to NSC conditions. Waiver can be granted in this scenario because total disability, regardless of whether due to SC or NSC, began after the insurance was in effect.

2. If total disability is due to a NSC condition occurring before the insurance is in effect, waiver cannot be granted. Example: Veteran is involved in a car accident and becomes totally disabled due to NSC conditions. Veteran also has SC conditions. Veteran applies for S-DVI and is approved as NSC from car accident does not cause him to exceed the allowable debits for health. Veteran cannot be granted waiver in this scenario as total disability due to an NSC began before the insurance was in effect.

See 39 USC 1912(a)

b. When the evidence reflects two or more periods of total disability for an existing insured, claims should be handled as follows:

   1. If the insured was totally disabled for six consecutive months, followed by a period of substantially gainful employment, before again becoming totally disabled, the claim for total disability cannot be approved until a new six consecutive month period of total disability has been reached.

   2. If the insured was totally disabled for six consecutive months, followed by a period of substantially gainful employment, before again becoming totally disabled, and the second period of total disability started after age 65, the claim for total disability cannot be approved.

   3. If the insured was totally disabled for less than six consecutive months, followed by a period of substantially gainful employment, before again becoming totally disabled for less than six consecutive months, the claim for total disability cannot be approved until a full six consecutive month period of total disability has been reached.

   4. If the insured was totally disabled for less than six consecutive months, followed by a period of substantially gainful employment, before again becoming totally disabled for less than six consecutive months, and the second period of total disability started after age 65, the claim for total disability cannot be approved.

c. Determining periods of employment should take into consideration unsuccessful work attempts. An unsuccessful work attempt is any employment in which the insured worked for less than six months and left employment due to his/her disabilities or hours are so limited due to medical issues as to result in part-time or sporadic employment.

***References:***

- 38 U.S.C. 1912: Total Disability Waiver

*User Guides*

- Waiver Application Process User Guide in VISION and LifePro

## 31.26 EFFECTIVE DATES

a. The beginning date for total disability awards is the first premium due after the date of determination of total disability. In instances where failure to file timely claim partially

limits the premium refund, the premium refund will be computed by determining the date which was up to l year prior to that on which claim was filed.

b. Where the insurance has been converted or changed to a permanent plan during the period in which the insured was totally disabled, the award will show waiver under the plan in effect prior to conversion or change terminating as of the date prior to the date of conversion or change and waiver on the converted or changed policy from the date of conversion or change.

c. Waiver of premiums on permanent plans of insurance issued or reinstated under 38 U.S.C. 1981 will be effective as of the premium due date in the month in which application for insurance is made, or commencing with the effective date of issue or reinstatement, whichever is later.

d. Waiver of premiums on insurance issued under 38 U.S.C. 1922(a) may be granted pursuant to the provisions of 38 U.S.C. 1912 and such waiver may not be denied on the grounds that the service-connected disability became total prior to the effective date of the insurance. However, in order that there may be entitlement to waiver of premiums under 38 U.S.C. 1912, total disability must be found to exist for 6 or more consecutive months before the date of application for, or the effective date of the insurance whichever is later. Waiver of premiums on statutory awards are exempt from this 6-month rule. Where the insurance under this section is granted with a retroactive effective date, the total disability must exist for 6 or more months from the premium due date in the month in which application is made.

e. Where RH insurance is issued with an effective date subsequent to the insured's 65th birthday, waiver of premiums under 38 U.S.C. 1912 can be granted as of the effective date of the policy so long as his total disability commenced prior to his 65th birthday and has continued for 6 or more consecutive months.

***References:***

- 38 U.S.C. 1981: Replacement of Surrender and Expired Insurance
- 38 U.S.C. 1922: Legacy Service-Disabled Veterans' Insurance
- 38 U.S.C. 1912: Total Disability Waiver

*User Guides*

- Waiver Application Process User Guide in VISION and LifePro

## 31.27 ENDING DATES OF AWARDS

a. Where total disability is found to have existed for a limited period only, the ending date of waiver will be the last day of the premium month in which total disability ceases.

b. When a decision is made to terminate a waiver of premium on the basis of evidence showing insured is no longer totally disabled, waiver will be discontinued as of the ending date of the premium month in which total disability no longer exists. In multiple policy cases the premium end date may not be the same due to premium month cycling.

c. If the insurance effective date is the last day of a month, the last day of each succeeding month is the premium due date for such month. Accordingly, if it is found that the insured's final day of total disability in such instance is the last day of a month, the final day of waiver of premiums will be the last day of the month.

d. Where waiver of premiums is discontinued on insurance issued under 38 U.S.C. 1922(a) because of severance of service-connection of a total disability, the waiver will be discontinued as of the current effective date, and the insured given the opportunity to pay future premiums.

***References:***

- 38 U.S.C. 1922: Legacy Service-Disabled Veterans' Insurance

## 31.28 FAILURE TO COOPERATE ON NEW CLAIMS

Any competent claimant who, has failed without reasonable explanation to return necessary information within 30 days of the second of two follow-up requests, will be considered as having failed to cooperate. If a request for evidence from the insured is returned as undeliverable, every effort will be made to determine the correct address. Nevertheless, the insured's failure to keep the VA advised of his/her correct address will be sufficient basis for denying the claim on grounds of failure to cooperate. Final action in this respect, however, will not be taken until the end of 60 days from the date of the original request or upon the receipt of replies to all inquiries regarding correct address, whichever is later.

## 31.29 FAILURE TO COOPERATE ON REVIEW ACTIONS

a. The rules stated above with respect to an insured's failure to cooperate on a new claim for disability insurance benefits, apply generally to the failure of an insured to cooperate with VA on requests for evidence in connection with necessary periodic reviews of continuing awards. However, such an award may not be terminated solely because of an insured's failure to comply with two requests for evidence. In such case, refer to 31.29b.

b. In the event an insured does not comply with the two requests for evidence, the total disability waiver will remain in effect only in the following situations:

1. If evidence in VA systems indicates the insured is incompetent or proposed incompetent;

2. If the evidence in VA systems indicates the insured is unemployable;

3. If the evidence in VA systems indicates the insured has a statutory condition; or

4. If the evidence in VA systems clearly indicates the member continues to be unable to maintain substantially gainful employment.

5. If the insured indicates there were extenuating circumstances as to why they did not respond (e.g. in the hospital) and provides the required evidence within 30 days of notification of the circumstance.

c. If an insured's disability waiver is terminated because they did not respond to requests for evidence and they later submit the required evidence, a supplemental decision will be prepared. Should this supplemental decision result in a continuing termination of the award, it will not extend the appeal period allowed the insured.

***References:***

- M29-1, Part I, Chapter 31, Section 31.29(b): Failure to Cooperate on Review Actions

## 31.30 SUPPLEMENTAL ACTIONS AND REVIEWS

a. Adverse actions where new and relevant evidence is submitted will be reconsidered as follows:

   1. Submit new and relevant evidence within the appeal period: The evidence will be reviewed and a determination will be made as to eligibility for total disability waiver. If the waiver cannot be approved, the insured will be provided the right to appeal the decision.

   2. Submit new and relevant evidence after the appeal period: The evidence will be reviewed and a determination will be made as to eligibility for total disability waiver. If the waiver cannot be approved, the insured will be provided the right to appeal the decision.

b. In any case in which clear and unmistakable error appears in a decision, a review will be made at any time, and corrective action taken by supplemental decision.

## 31.31 ROUTINE REVIEWS

a. Except in statutory total disability cases, if an insured has recovered the ability to continuously follow substantially gainful employment, the waiver will be discontinued. Evidence may be medical in nature and/or relate to employment. If there is current evidence showing continuous and substantially gainful employment, the waiver may be terminated, except where there is evidence the employment is detrimental to the insured's health or under sheltered conditions. In weighing the evidence every reasonable doubt should be resolved in favor of the insured. If the medical evidence of record, even though not current, would under sound medical judgment indicate the continued existence of total disability, there is no need to update or obtain new medical evidence.

b. If the insured is receiving vocational rehabilitation under the provisions of 38 U.S.C. 3102, his/her waiver of premiums may be continued so long as he remains in training even though his disabilities have improved. Upon his rehabilitation or termination of training, his/her entitlement to continuation of waiver of premiums will be determined on the basis of the facts of his/her individual case.

c. In all routine reviews all available VA systems and evidence will be reviewed prior to a decision on continuation of total disability. Additional evidence will only be requested from the insured when all available evidence is insufficient to make a determination.

***References:***

- 38 U.S.C. 3102: Basic Entitlement

## 31.32 TWENTY-YEAR CASES (38 CFR 8.31)

Waiver of premiums for total disability which have been continuously in force for 20 or more years may not, in accordance with 38 CFR 8.31, be terminated except upon evidence showing that the waiver decision resulted from fraud. The 20-year period of disability will commence on such date as is determined by the VA Compensation and/or Pension, Federal court, or VA Insurance (based upon the laws as set forth under 38 USC 1912). Where all the evidence in a given case reflects more than 1 period of total disability, the 20 years referred to will commence as of the beginning date of the current period of such disability.

***References:***

- 38 CFR 8.31: Total Disability for Twenty Years or More
- 38 U.S.C. 1912: Total Disability Waiver

## 31.33 ENDING DATE OF TDIP AWARDS

a. The date of discontinuance of monthly installments will be the day prior to the due date of the next monthly installment following the action of discontinuance. The date of discontinuance of waiver of premiums on the total disability income provision will be the same as for the premiums on basic policy (the day prior to the due date of the next premium following the day discontinuance action is taken).

b. The criteria for determining entitlement or termination of waiver of premiums shall be applicable to findings for determining entitlement or cessation of monthly disability income benefits.

c. When the disability insurance benefits are effective on the 31st day of the month, the last day of each succeeding month will be the due date of the installment for that month.

## 31.34 DECISIONS AS TO COMPETENCY

All decisions on claims for total disability insurance benefits where a mental disability is involved will include a determination as to whether the insured is competent or incompetent.

a. Incompetency is a financial determination rather than a medical determination and indicates a disorder resulting in an inability to manage one's affairs, including disbursement of funds.

b. Previous determinations of incompetency by VA or a court of law will be followed in absence of satisfactory evidence the insured has recovered.

## 31.35 STATUTORY PROVISIONS FOR INCONTESTABILITY

Title 38 U.S.C. 1910 provides that all contracts or policies of insurance shall be incontestable from the date of issue, reinstatement, or conversion except for fraud, nonpayment of premium, or on the grounds that the applicant was not a member of the military or naval forces of the United States.

***References:***

- 38 U.S.C. 1910: Incontestability

## 31.36 DEFINITION OF FRAUD

A false representation of fact with intent to deceive; upon which action was taken based on the misrepresentation.

## 31.37 THE GOVERNMENT'S ROLE

The Government in asserting fraud must do more than establish that the policy was issued, reinstated or converted because of false representations. It must establish that the fraud was present by clear and convincing evidence.

## 31.38 APPLICABLE CRITERIA

a. **Misrepresentation** - Fraud consists in the misrepresentation of a material fact by one who, knowing the falsity of his/her statement, intends to induce the person with whom he/she is dealing to act in reliance thereon, if by so doing the second person suffers a detriment.

b. **Material Fact** - To make an affirmative finding of fraud, it must be established that the misrepresentation was of material fact; not of a trivial matter although factual. The fact in question must have been sufficiently material to have induced the VA to act favorably on the applicant's request for issue or reinstatement of insurance.

c. **Knowledge** - The perpetration of fraud consists of a willful act. Accordingly, where the applicant has made a false statement of a material fact in connection with his/her application, or has failed to disclose certain material information relative to his/her health at such time, no fraud may be found where the circumstances disclose that the applicant was without knowledge of the falsity of his/her statement or of the true facts with respect to which he/she failed to make disclosure.

d. **Intent** - It must be clear that the applicant knew the VA needed the specific information requested on the form, and that he/she either furnished misleading information or withheld the truth knowing, or at least suspecting, that if the true information were brought out his/her application would have been denied.

## 31.39 DOCTRINES OF NOTICE AND WAIVER

a. Once a final decision is made on any insurance matter, VA is on notice of all information either expressly given or implied, in the record. Some specific examples of notice are listed below:

   1. If a physician provides evidence on a waiver application that the insured is totally disabled as of the date of application; but there is information on other VA systems indicating that the insured is currently working or is able to work but is not currently working, due to the condition(s) being claimed as disabling, VA is on notice of all work history.

   2. If an applicant has applied for compensation or pension and states that he/she has not received benefits, VA is on notice that he/she once suffered from a disability and development should precede acceptance.

b. The general administrative policy regarding fraud determinations is based largely upon well-settled principles of insurance law. These principles state that if an insurer is aware of facts which constitute fraud, but maintains the policy, thus leading the insured to believe they are still covered, the insurer waives the right to forfeiture.

## 31.40 CLEAR AND UNMISTAKABLE ERROR, EQUITABLE RELIEF, AND BENEFIT OF THE DOUBT

a. Clear and Unmistakable Error (CUE)– 38 U.S.C. 5109A

   1. A clear and unmistakable error (CUE) exists if all three of the following requirements are met:

      a) either the correct facts were not known to VA Insurance or the statutory or regulatory provisions were incorrectly applied,

      b) the error, had it not been made, would have changed the outcome at the time it was made, and

      c) the determination must be based on the record and the law that existed at the time of the decision.

   2. The statute allows for Insurance to make an adjustment on a case based on a CUE without having to submit a request to the Secretary.

   3. Insurance employees should raise cases of CUE through their supervisory chain of command. The Assistant Director for Operations has the delegated authority to make adjustments due to clear and unmistakable error.

b. Equitable Relief – 38 U.S.C. 503

   1. Equitable relief is defined as is a remedy for an injustice done to a claimant resulting from mistakes made in applying rules and regulations that either:

a) deprived the claimant of benefits, or

b) caused the claimant to suffer a loss because he/she relied on an erroneous decision.

2. The statute vests sole decision-making authority for granting relief with the Secretary.

3. Insurance employees should raise cases of equitable relief through their supervisory chain of command. Any requests for equitable relief from Insurance require the approval of the Director for submission through VA Central Office.

c. Benefit of the Doubt – 38 U.S.C. 5107(b)

1. The statute requires Insurance employees to consider all information and lay and medical evidence of record. When there is an approximate balance of positive and negative evidence, Insurance shall give the benefit of the doubt to the claimant/insured on the matter.

***References:***

- 38 U.S.C. 5109A: Revision of Decisions on Grounds of Clear and Unmistakable Error
- 38 U.S.C. 503: Administrative Error; Equitable Relief
- 38 U.S.C. 5107(b): Claimant Responsibility; Benefit of the Doubt

## 31.41 SUBMISSION OF CASES FOR POSSIBLE PROSECUTION

a. Generally, if a contract of insurance, including a disability rider, has been canceled due to fraud, the case will be referred to VA's Office of Inspector General as appropriate.

b. Exceptions to the general rule:

1. Cases in which the statute of limitations (5 years) has run since filing of fraudulent document.

2. Cases involving incompetent veterans.

3. Cases involving veterans with terminal illnesses.

4. Cases where the veteran directly disclosed his/her fraudulent action.

***References:***

*Circulars & SOPs*

- VAIC Circular 29-06-2017: Insurance Fraud Reporting Procedures for VA Insurance Employees

## 31.42 NECESSITY FOR DECISION

a. Whenever benefits under insurance become payable because of the death of the insured as the result of disease or injury traceable to the extra hazard of military service, the liability for payment of such benefits shall be borne by the United States in an amount which, when added to the policy reserve at maturity, will equal the then value of such benefits. The amount shall be transferred from the NSLI appropriation to the NSLI fund.

b. Whenever insurance premiums are waived because of the total disability of the insured as the result of disease or injury traceable to the extra hazard of military service, there shall be transferred from time to time an amount equal to the amount of such premiums from the NSLI appropriation to the NSLI fund. VA is transferring a small amount of appropriated funds to NSLI from VII. The amount is determined by reducing the total transfers in the previous year by a calculated percentage from the NSLI appropriations to the NSLI fund. Fund transfers are applied to total collections of the NSLI fund.

c. Whenever benefits under TDIP become payable because of total disability of the insured as a result of disease or injury traceable to the extra hazard of military service, there shall be transferred from the NSLI appropriation to the NSLI fund from time to time any amounts which become, or have become, payable to the insured on account of such total disability. There shall be transferred from the NSLI fund to the NSLI appropriation the amount of the reserve held on account of the total disability benefit. In 2005, VA calculated the present value of the remaining TDIP extra hazard awards and had this amount transferred from NSLI fund to the NSLI appropriation. This ended the requirement for ongoing transfers needed for TDIP extra hazards.

d. When insurance benefits are awarded for death of the insured, or a waiver of premiums is granted, or TDIP benefits are awarded because of total disability of the insured, a determination must be made as to whether the injury or disease is traceable to the extra hazard of military service. In the NSLI program, determination of extra hazard is applicable to V policies only. There have not been any extra hazard claims since the NSLI program closed to new insureds. However, lifetime annuity payments for beneficiaries of prior extra hazard claims are still being paid. Annual transfers of NSLI appropriations to the NSLI fund for these annuity payments are calculated as part of the transfer noted in (b). In the unlikely event an extra hazard claim is identified in the future, NSLI appropriations will be used to settle an extra hazard death benefit. This will not impact the NSLI fund.

e. Extra Hazard Criteria

   1. General. An affirmative finding of fact as to the extra hazard of military service in a given case requires that there be a reasonably clear showing that the insured would not have been exposed to the particular hazard involved but for his/her military service. It was not intended that there be charged to the extra hazard of service the cost of any claim arising from disease or injury to which the insured would ordinarily have been exposed in civilian life.

   2. Effect of Line of Duty or Service Connection. A finding as to the extra hazard of service is not the same as either line of duty or service-connected findings. All affirmative findings as to extra hazard have to be based on injury or disease incurred in service and in line of duty; however, the reverse is not true. The test, with respect to extra hazard findings, is whether or not the particular disease or injury involved is traceable to the performance of duty.

3. Determining the Facts of the Particular Case. No claim will be found due to the extra hazard of service on the basis of speculation or in the absence of affirmative evidence; and all evidence must be carefully weighed. If any fact or circumstance creates a reasonable doubt that the disease or injury is traceable to the performance of duty, the loss involved will not be held due to the extra hazard of service.

4. Matters of Common Knowledge. Although exhaustive efforts must be made to obtain all necessary evidence, it must be remembered that in reaching decisions it will be necessary to take into consideration matters of common knowledge regarding which little, if any, information will be available.

5. Circumstances Usually Indicating Extra Hazard. Injuries sustained as the result of enemy action, as well as conditions which result from such injuries, will be deemed to be due to the extra hazard of military service. Likewise, death or injury suffered as the result of the performance of military duty will be so held; as will injury or death suffered as the result of airplane crash or motor vehicle accident while performing official duty, in the absence of willful misconduct or substantial negligence. In this last-mentioned respect, however, there will be excepted those instances where injury or death results from travel as a passenger on a regular flight of a scheduled airline in the United States or as the result of motor vehicle travel in vehicles substantially similar to ordinary passenger and commercial vehicles under conditions usually experienced in civilian travel. Death or disability resulting from tropical or oriental diseases or conditions which arise as the result of confinement as a prisoner of war will likewise be generally held to be due to the extra hazard of service. So, also, will diseases originating or aggravated as the result of exposure to the elements or adverse climatic conditions.

6. Circumstances Usually Precluding Extra Hazard. Disease or injury arising while the insured is on leave, furlough, liberty pass, or is absent without leave, is not held due to the extra hazard of military service. So, it is, also, with diseases or injuries resulting from the insured's willful misconduct or substantial negligence. Congenital defects and certain organic diseases, although they may arise during military service, cannot, under sound medical judgment, be held to have been caused by such service. However, if it is quite clear from the record, the latter conditions may be held due to extra hazard on the basis of aggravation.

7. Skin Conditions. Many skin conditions are the result of insect bites or irritation through contact with vegetation, particularly in tropical areas, and existing skin conditions are aggravated by heat and dampness of the tropics. Under either circumstance, it is proper to hold the condition due to the extra hazard of military service.

8. Accidents. Injury resulting from accident while performing military duty is traceable to the extra hazard of service in the absence of willful misconduct or substantial negligence. This rule also applies to accidents occurring while one is traveling under orders, except in instances cited in subparagraph (5) above. In cases of insured's traveling under orders and voluntarily using civilian motor vehicles, injury arising from accident should not be held due to extra hazard of service unless military urgency or similar circumstance contributed to the accident. Injury from aircraft accident is not due to extra hazard of service if the insured voluntarily participates as passenger or otherwise in a flight in a privately owned or rented airplane. Other accidents may, under some circumstances, be held to be due to the extra hazard of service if the insured, although not performing official duty, was present at his/her

post, ship, or station and available for duty. Death or disability from recreational activity should not be considered as traceable to the extra hazard of service unless such activity was compulsory or was a part of the military training.

9. Contagious or Infectious Diseases. Although contagious and infectious diseases are contact diseases, the mere fact that such a disease is contracted while in the military service is not of itself sufficient to warrant a finding that it is due to the extra hazard of service. Such diseases contracted in the continental United States should be held to be due to the extra hazard of service only if it is shown that the insured was stationed in an area where the disease was epidemic. When such a disability is contracted outside the continental limits of the United States, it should be taken into consideration that the insured is exposed because the performance of his/her military duties requires his/her presence in that locality. Under such circumstances it is reasonable to hold that a disability so contracted is traceable to the performance of duty.

10. Pulmonary Tuberculosis. Pulmonary tuberculosis may be held to be traceable to the performance of duty when it is shown that the insured was exposed to gas while performing duty through contact with persons suffering from the disease or when his/her duties were of such an arduous nature that it may be presumed that the onset of the disability was due to the resulting lowering of his/her vitality. In determining whether disability or death from tuberculosis is based on contact with the disease is due to the extra hazards of service, consideration should be given to service in certain overseas areas where the incidence of the disease was markedly higher among certain types of troops. For instance, the incidence of tuberculosis in port areas of North Africa, Italy, France, the Islands of the Pacific, Philippine Islands and Japan during World War II, was such as to afford a basis for presuming that the disease was due to extra hazards of military service. Also, duties involving attendance of those who were ill give rise to a similar presumption. In determining whether the disability or death from tuberculosis to be deemed to have arisen from the arduous nature of the insured's duties, consideration should be given to long periods of imprisonment by the enemy as well as to sustained periods of exposure to the elements or service of considerable duration under combat conditions.

11. Mental Health. In considering mental health conditions consideration must be given to the history of mental health issues prior to service; the length of service prior to the onset of the condition; the degree of adjustment to military life following induction; the kind of service, that is, whether the insured was subject to any unusual stress such as combat, trauma, bombing, isolation, protracted stay in jungle; also, if he/she had a preexisting disability, whether this service was such as to aggravate it beyond its natural progress.

12. Suicide. Suicide will be held due to extra hazard of service if it is done while in a severe mental episode resulting from the pressures of military service, and there are not apparent any other reasons.

13. Age and Time. Insureds whose injury or disease was at one time due to the extra hazard of service and who subsequently regained the ability to engage in substantially gainful employment. Care should be exercised in holding the second claim due to the extra hazard of service. Where long periods of time intervene, the insured has engaged in or had the ability to engage in employment, the insured has reached the later years of life and incurred additional disabilities due to age, the second claim should not ordinarily be held due to the extra hazard of service unless

the evidence clearly shows that the disease or injury which was due to the extra hazards of service is also the principal cause of the present period of total disability.

14. Disease or injury preexisting the issue of TDIP will not bar extra hazard determination. The Government shall bear the cost of the benefits under the total disability income provision whenever such benefits become payable because total disability of the insured resulted from disease or injury traceable to the extra hazard of the military service. The law does not limit such liability to diseases or injuries which occur after the issuance of the total disability provision. There will be cases in which health conditions originating in earlier military service are not present at the time of application. In other cases, even though detected and disclosed, the disease or injury will not be considered serious enough at the time of application to warrant rejection under the good health criteria.

15. Determinations concerning the extra hazards of military service will not be reversed except on the basis that such determination was a clear and unmistakable error.

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**Publication Date:** June 11, 2019

### 32.01 GENERAL

In addition to the total permanent disability income provided in all USGLI policies, a disability income provision may have been added to the policies to provide income to the insured who became totally disabled (not total permanent) or to increase the income of the insured who became totally and permanently disabled. The provision is generally referred to as a rider.

### 32.02 DEFINITION OF TOTAL DISABILITY

a. Total disability is any impairment of mind or body which continuously renders it impossible for the disabled person to follow any substantially gainful occupation.

b. The applicable rules concerning the determination of total disability under NSLI are applicable to the determination of total disability under the total disability income provision attached to USGLI (except for the period of time requirement).

### 32.03 TOTAL DISABILITY INCOME BENEFITS

a. Monthly income benefits of $5.75 for each $1,000 of insurance on which extra premium has been paid. Monthly income is paid as long as insured remains totally disabled.

b. Premiums are waived on basic policy and rider. The policy (basic) will participate in dividends, if earned, even though the premiums are being waived under a total disability award.

c. Payments for total disability do not reduce the face of the policy.

d. Monthly payments are made concurrent with total permanent disability income payments if there is also a finding of total permanent disability.

e. The total disability must have occurred before default in premium.

## 32.04 TOTAL DISABILITY PROVISIONS ISSUED ON OR AFTER JULY 3, 1930

a. These riders provided for:

1. Four-month waiting period.

2. Payments became effective as of the first day of the fifth consecutive month of total disability (not calendar month). Example: Total disability occurred January 17: benefits begin May 17, not May 1.

3. Any payments due the insured and not paid in his lifetime will be paid to the beneficiary.

4. Total disability must have commenced prior to the 65th birthday and a 4-month period of continuous total disability must have elapsed before benefits commence.

5. Payments may have related back 6 months prior to receipt of proof of disability but not prior to the first day of the fifth month of total disability. Waiver of all premiums began with premium falling due after income begins.

6. If the payment of benefits would have been limited by application of the due proof rule and the insured was prevented from timely filing claim because of mental incompetency, then the date of receipt of due proof would have been determined as follows:

   a) On the same basis as though, the claim had been timely filed at the time the insured first became mentally incompetent, provided that a claim was filed during period of mental incompetency or within 6 months thereafter, OR,

   b) On the same date as the claim for disability insurance was filed, provided that the proof of continuous total disability for 6 or more months was contained in the records of a VA hospital or service hospital (or a non-service hospital where the insured was admitted as a VA patient), and the records show the insured met the statutory requirement of total disability for a period of at least 6 months as of the date of the claim.

   c) The due proof rule required proof of total disability to be filed while the TDIP rider was in effect or within one year after the rider had ceased to be in effect. Required proof was not considered as received, if received prior to the date of receipt of claim for disability insurance benefits.

**NOTE**: If required proof was already of record at the time the insured first became unable to file claim, the payment of benefits could not relate back more than 6 months prior to the date they became unable to file claim. If required proof was not then of record, payment of benefits could not relate back more than 6 months prior to date of receipt of required proof. If the claim was not filed until more than 6 months after recovery from the mental incompetency, the failure to file claim at an earlier date was not excused and the strict limitation of the due proof rule applied.

7. Due proof must have been submitted before default in payment of a premium or within 1 year from due date of premium in default.

8. Premiums paid during the 4-month waiting period are not refundable.

9. Any premiums paid after the monthly income became payable were refundable to insured if living, otherwise to the beneficiary, without interest.

10. Where the insured became totally disabled and it was determined that his failure to file claim during his lifetime was due to circumstances beyond his control and claim and due proof were filed by the beneficiary within 1 year after the date of death, the monthly income payments, except as otherwise provided in statutory cases, may have related back to a date not exceeding 6 months prior to the date of death of the insured.

## 32.05 RELATED RULES

The rules as set forth under National Service Life Insurance pertaining to the necessity for claims, findings of competency and fraud, and extra hazard determinations are applicable to USGLI.

# Key Changes

| | |
|---|---|
| **Rescissions** | M 29-1, Part 1, Chapter 33 is being removed in its entirety as outdated and no longer applicable. |
| **Authority** | By Direction of the Under Secretary for Benefits |
| **Signature** | Vincent E. Markey, Director<br>Insurance Service |
| **Distribution** | LOCAL REPRODUCTION AUTHORIZED |

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**Publication Date:** June 11, 2019

**Subchapter 1 - General**

**34.01 ORGANIZATION**

The Insurance Collections Activity is within the organizational structure of the Policyholders Services Division, operating as the Collections Section in the Philadelphia VA Insurance Center. However, physical payments are processed through the Department of Treasury's collections lockbox service provider. Where reference in this chapter is made to "Collections Activity" or "Collections", identification is made with the Insurance Collections Activity of the Policyholders Services Division.

## 34.02 FUNCTION

a. The VAIC is responsible for processing collections and other payments for the VA-administered life insurance programs Treasury's lockbox service provider processes all direct payments sent via check/money order, while the VAIC processes the remaining forms of payment.

b. The VAIC receives and processes for deposit and credit to proper accounts, remittances received from the following sources:

   1. Collections files received from the Fiscal Service collections lockbox provider for all payments sent via check/money order according to the Fiscal Service General Lockbox Network Retail Lockbox Statement of Required Services Agreement: GLN - VA Life Insurance Premium Lockbox #105535.

      a) A Veteran can send a payment check/money order for his or her insurance premium or loan directly to the Treasury's lockbox service provider for one or multiple policies. The lockbox service provider is a shared services vendor with Treasury and is responsible for all check payment processing for the VAIC.

      b) When a Veteran sends a payment check/money order directly to Treasury's lockbox service provider, he or she must include the bill or coupon that was received from the VAIC requesting the payment. If the Veteran had any correspondence with the VAIC, such as a request for a loan, then the Veteran may send the payment to the VAIC. In this case, the VAIC mailroom routes the communication to VAIC Collections Staff, who mails the payment to Treasury's lockbox service provider overnight with a tracker to ensure it arrives.

      c) Upon receipt of payment, Treasury's lockbox service provider processes the payment within the Electronic Check Processing (ECP) system and scans the check into this system. All insurance bills include a scan line, and the ECP system reads the scan line on the bill to identify the bill amount, payment date, and Veteran file number. ECP interfaces with the VA Insurance System to match the Veteran's bill information to the actual payment that the Veteran sent. There are different breakdowns for how the VA Insurance System may process a payment:

         1) If all the information on the payment matches the bill, the payment is "paid as billed". Once the VA Insurance System updates to indicate that the payment was "paid as billed", the Veteran does not automatically receive a

notification that the payment was processed, but he or she can request a statement from the VAIC.

2) If the payment amount is greater than the amount requested on the bill, the ECP system processes the full amount of the payment. Once ECP communicates with the VA Insurance System to reflect the excess amount, the VA Insurance System automatically credits any excess amount to the Veteran's account. VAIC Collections then provides the Veteran with an auto-generated statement showing the credit and the due date for the next payment.

3) If the payment amount is less than the amount requested on the bill, the ECP system processes the entire amount. When the VA Insurance System updates via the mainframe file, the system attributes the amount to the Veteran's premium or loan account, and the VA Insurance System automatically creates a task to notify a VAIC Policy Services Specialist that the Veteran did not pay the full amount. The VAIC Policy Services Specialist then generates a notification letter to the Veteran requesting the remainder of the payment.

4) If a payment received does not include the relevant bill or coupon, but Treasury's lockbox service provider can identify the Veteran's file number and policy information, Treasury's lockbox service provider processes the payment as noted above in 1-3. If a payment received does not include the relevant bill or coupon, or Treasury's lockbox service provider cannot identify the Veteran's file number and policy information, Treasury's lockbox service provider processes the payment and marks it as unidentified.

2. Agent cashiers at VA field stations (Forwarded for deposit and processed similarly to direct remittances).

a) Veterans can also make direct payments at any VA Medical Center (VAMC) or Regional Office (RO). The VA location's Agent Cashier documents the payment on VA Form 4-1551, Transmittal Schedule of Insurance Collections. The Agent Cashier prepares an IPAC payment to send the collection amount to the VAIC and includes the Veteran's information in the description section on the Intragovernmental Payments and Collections (IPAC). The VAIC Finance Division checks Treasury's IPAC system on a daily basis. If the VAIC receives an IPAC from another VA location's Agent Cashier, the VAIC Finance Division downloads the payment IPAC and manually records the payment in IGL. After recording the payment in IGL, the VAIC Finance Division Staff sends the IPAC sheet to the VAIC Collections Staff.

b) On a daily basis, the VAIC Collections Staff reviews the IPAC sheet to identify the Veteran's file number, IPAC number, voucher number, and date of payment. Once the VAIC Collections Staff verifies the IPAC information, the VAIC Collections Staff prepares a memorandum and submits this to the VAIC Clerical Support Staff. The VAIC Clerical Support Staff manually enters the payment

information in Inforce to indicate that the VAIC received the Veteran's payment. The VAIC Collections Staff reviews the transaction within Inforce the next day to ensure the original information input into Inforce was accurate and applied correctly by the system. Although the VAIC Collections Staff reviews the transaction in Inforce the next day, the review is not documented.

3. Active and retired Servicemembers may choose to have a portion of their retirement pay go directly to the VAIC for the payment of insurance premiums or the repayment of a loan for any insurance program. These are known as allotments. The Servicemember is responsible for requesting an allotment, which his or her branch of service will automatically deduct from his or her pay and remit to VA via IPAC. DoD is responsible for collecting the allotments from all branches of service. DoD's accounting agency, Defense Finance and Accounting Service (DFAS), is then tasked with initiating one IPAC transaction monthly to remit the total amount to the VAIC to pay for the Servicemembers' insurance premiums. DFAS provides a file of payments from each branch of service listing all Veterans who used DFAS allotments to pay their premiums via Connect: Direct to the VAIC mainframe. The VAIC Programmers notify the Policy Services Division (PSD) that they have received the DFAS allotment file. During a daily check of the IPAC system, the Insurance Technician looks for the DFAS Allotment. Once received, the Insurance Technician pulls the IPAC information from the IPAC website and manually records the amounts into IGL.

4. All premium payments and loan/lien repayments deducted from VA benefits.

   a) Veterans receiving C&P benefits from VA have the option of paying NSLI insurance premiums through monthly benefit offsets. VMLI premiums must be paid through monthly C&P benefit offsets, if funds are available. Once VAIC receives a Veteran's request, the VAIC PSD enters the request into Inforce. On a monthly basis, Inforce creates an electronic file containing all requests for the deduction establishment, increase, decrease, or termination, the date of change or termination, and the amount of the deduction for all Veterans who have opted in to using offsets. The VAIC transmits this electronic file to the VBA Finance Center (VBAFC), and it automatically interfaces with Veterans Services Network (VETSNET)-Finance and Accounting System (FAS) to input the offset for the deduction to start, change, or stop. The VBAFC C&P Benefit Accountant does not perform a check on this input, but VETSNET-FAS begins automatically offsetting the Veteran's benefit payments to pay the Veteran's insurance premiums. Once the Veteran's election of benefit offset interfaces into VETSNET-FAS, the system routinely offsets the Veteran's benefit by the amount of the insurance premium indicated on the electronic file.

   b) The VAIC Finance Division checks Treasury's IPAC system on a daily basis. When the VAIC receives an IPAC from VBAFC for benefit offsets, the VAIC Finance Division downloads the payment IPAC and manually records the payment in IGL. The VAIC Finance Division sends the IPAC to the VAIC Collections Staff for their reference.

5. Insurance premium payments received through Electronic Funds Transfer(EFT) known as preauthorized debits.

a) A Veteran can request that VAIC automatically collect his or her premium payments directly from his or her bank account via EFT. To set up payment via EFT, the Veteran must send the VAIC a VA matic form with his or her bank account information. The PSD Staff then updates the Veteran's account with his or her bank account information and payment date that the Veteran requested for monthly payments. If the bank information is entered incorrectly, the payment will not go through and the VAIC will verify the bank information at that time.

6. Insurance Premium and loan payments received through the Fiscal Service Online Bill Payment Service. Policyholder's make electronic premium and loan payments to VA Insurance through their financial institution's "Online Bill Pay" feature. Payments are received via Fiscal Service Credit Gateway application and reported to the Collections Information Repository (CIR). The Philadelphia Collections Activity is responsible for extracting the Online Bill Pay file from CIR for processing on the Insurance ADP system, as well as reconciling misdirected payments.

## 34.03 RESPONSIBILITY-COLLECTIONS ACTIVITY

a. The primary responsibility of the Collections activity is to process remittances promptly and to ensure that the remittances are properly credited to the individual's account. This is essential in order to permit the availability of these funds for investment earnings and for application to the proper Insurance subsystem accounts.

b. The Insurance Program Management Division is responsible for management and oversight of the contract with Treasury and their lockbox service provider.

c. Collections is also responsible for providing the Accounting Section with deposit information broken down by insurance fund.

d. The Collections activity writes and maintains detailed operating instructions for processing all Insurance remittances, including the detailed Statement of Operating Procedures for the Fiscal Service lockbox provider. A copy of these procedures is maintained with applicable personnel in the Collections Activity. The Collections Activity also follows the procedures outlined by the Director, VBA Finance Staff (241). These instructions address both Open and Closed Mail (see 34.10) processing, for all remittance activities as follows:

1. Premium, loan, lien and interest collections

2. Online Bill Payments

3. Preauthorized Debit (EFT) receipts

4. Deposit reconciliation and/or Federal Reserve Bank reconciliations

5. Unassociated and/or Unidentified collections

6. Audit trail requirements and/or electronic imaging requirements

7. Premium notices and payments received and deposited in the wrong office

8. Manila collections (See 34.21)

***References:***

- M29-1, Part I, Chapter 34, Section 34.10: General
- M29-1, Part I, Chapter 34, Section 34.21: General

## 34.04 COLLECTIONS MANAGEMENT

a. Workload reports (beginning balance, received, processed, and ending balance) will be maintained daily to accomplish the following:

   1. To keep collections receipts current to preclude unnecessary lapse of policies and late payment notices.

   2. To practice the most efficient form of cash management within the budgetary restraints imposed on the Department of Veterans Affairs.

**NOTE**: Cost per remittance calculations can be obtained based on annual contract cost for Fiscal Service Lockbox provider and number of remittances processed.

b. The Treasury Lockbox provider is responsible for providing a range of reports regarding electronica check processing. These reports are listed in the Statement of Work.

c. The Treasury Financial Manual (Part 5 – Deposit Regulations, Chapter 4600-Treasury Lockbox Network) prescribes the procedures to be observed by all Federal agencies involved with the lockbox paper check and/or remittance processing (electronic or paper) of Federal agency receipts.

## 34.05 REPORTING

a. Direct Remittance

   1. Daily insurance collections on deposited basis

      a) Deposit Tickets are prepared daily for the following remittances:

         1) Preauthorized Debits,

         2) Direct Payments (checks and money orders),

         3) Cash, and

         4) Online Bill Payments.

      b) These tickets are hand carried to the Finance Division for their action on the same day the deposit is forwarded to the Federal Reserve Bank. Disbursement

authority against the Deposit Ticket(s) for the day is recognized even though the deposit has not been released to the Federal Reserve Bank.

2. Treasury's lockbox service provider sends VAIC a daily COIN report that provides the premium payments received by insurance fund, how many items Treasury's lockbox service provider received, and the date, along with detailed information about the insurance payments. The COINS report documents the different payments and notifies the VAIC of which payments were "paid as billed" and which need additional attention. The VAIC Finance Division performs a monthly reconciliation of the COINS report to the direct payments summary in Insurance General Ledger (IGL), which shows the total amount of direct payments the VAIC received instead of the amounts received per individual policyholder. On a monthly basis, the VAIC Finance Staff reconciles the direct payments to Treasury's lockbox service provider to confirm that the amounts and accounting information is recorded properly in IGL. The VAIC Finance Staff can pull summary reports from the Formerly Control-D folder for the reconciliation performed that display the total amount of payments or collections over a certain date range. The VAIC Accountant compares the summary values on each report to the amounts recorded in those IGL accounts. If there are any discrepancies, the VAIC Accountant researches the issues to determine the cause and communicates with VAIC Programmers (for system-generated transactions) or to the group that processed the claim to correct the issues. The VAIC accountant documents his or her review on IAG155P-GRND-TOT in the Formerly Control-D folder that he or she reviewed by date stamping and signing the document. The VAIC Accountant then saves the reports and the supporting documentation to the shared drive.

Table 34-1 provides the IGL and GL accounts related to direct payments.

**Table 34-1: Direct Payments**

| IGL Account Number | IGL Account Description | GL Account Number | (D)ebit / (C)redit |
|---|---|---|---|
| **1012.01** | **Disbursing Authority – Cash Account** | **1010** | **D** |
| **3569.01** | **Undistributed Insurance Collections – Direct Pay** | **5500 (5501)** | **C** |
| **3569.01** | **Undistributed Insurance Collections – Direct Pay 370 (system generated)** | **5500 (5501)** | **D** |
| **3561.20** | **Premiums – Cash Collections TT 370 (system generated)** | **5500 (5501)** | **C** |

b. Agent Cashier Payments

1. On a daily basis, the VAIC Accountant pulls an IGL Summary Report of the manual inputs in IGL and any relevant supporting documentation for the transaction. The VAIC Finance Staff Accountant compares the daily Run 155 Report to the IGL Summary Report and any supporting documentation, such as the IPAC from the Agent Cashier, to verify that the manual entries are recorded properly. If there are

any discrepancies for manual entries, the VAIC Accountant corrects the IGL entry based on the supporting documentation. The VAIC Accountant date stamps and signs the summaries as evidence of the review and saves the document and supporting documentation to the shared drive.

Table 34-2 provides the IGL and GL accounts related to payments received by an agent cashier at a VAMC or RO.

**Table 34-2: Payments Received by VAMC or RO Agent Cashier**

| IGL Account Number | IGL Account Description | GL Account Number | (D)ebit / (C)redit |
|---|---|---|---|
| **3569.01** | **Undistributed Insurance Collections** | **5500 (5501)** | **C** |
| **1215.30** | **Receivables – Off Tape** | **1310 (1311)** | **D** |

c. Allotment

1. The VAIC Accountant reviews the manual transaction in IGL to confirm it is correct by pulling an IGL Summary Report of the manual inputs for that day and any relevant supporting documentation. On a daily basis, the VAIC Finance Staff Accountant compares the Run 155 Report from Formerly Control-D folder to the IGL Summary Report and any supporting documentation, such as the IPAC from DFAS, to verify that the manual entries are recorded properly. If there are any discrepancies for manual entries, the VAIC Accountant corrects the IGL entry based on the supporting documentation. The VAIC Accountant date stamps and signs the summaries as evidence of the review and saves the document and supporting documentation to the shared drive.

2. The DFAS allotment file, sent to the VAIC mainframe from DFAS via Connect: Direct each month, automatically interfaces with Inforce to update the Veterans' files who paid their premiums via a DFAS allotment. Prior to the end of each month, the VAIC Collections Division pulls a report from the Formerly Control-D folder, which identifies the premium payments that could not be attributed to a Veteran. The VAIC Collections Division researches the unidentified payments and attributes them to the relevant policyholder in the VA Insurance System.

d. Deductions from VA benefits

1. On a monthly basis (every third week of the month), VETSNET-FAS runs cycle Z automatically, which is an end of month processing report. Cycle Z produces a PDF report for VMLI and NSLI vouchers that the VBAFC will process that month.

2. For VMLI, the VBAFC C&P Benefit Accountant prints the automatically generated VMLI Recurring Deduction Report, VMLI Established/Discontinued Report, and the Accounting Journal Report from VETSNET-FAS. The VBAFC C&P Benefit Accountant reviews all of the documentation to confirm that the amounts match across all reports. If there is a discrepancy, the VBAFC C&P Benefit Accountant contacts the VA

Office of Information Technology (OIT) field office in St. Petersburg, Florida via email for an explanation of the variance. This correspondence is stored with the VMLI packet on the VBAFC shared drive.

3. For NSLI Vouchers, the VBAFC C&P Benefit Accountant prints the VA02 Monthly Summary of Deductions Report, Established/Discontinued Report, and the Accounting Journal Report from VETSNET-FAS to compare the amounts on all of the reports. The VBAFC C&P Benefit Accountant uses the total offset amount on the Accounting Journal Report and adds the irregular deductions found on the Monthly Summary of Deductions Report. This total is the amount listed as "Total Vouchered" on the Monthly Summary of Deductions Report. If there is a major variance in amounts, the VBAFC C&P Benefit Accountant contacts the OIT field office in St. Petersburg, Florida for an explanation of the variance. This correspondence is stored with the NSLI packet on the VBAFC shared drive.

4. Using the previous month's Excel journal vouchers for NSLI and VMLI, the VBAFC C&P Benefit Accountant inserts a new tab for each program for the current month and inputs the information from the Established/Discontinued Report. Based on the inputs, formulas within the journal voucher spreadsheet recalculate the beginning balance plus total established, less total discontinuance.

5. The VBAFC C&P Benefit Accountant submits the PDF journal voucher and supporting documentation to the VBAFC C&P Accounting Chief for review and approval. Prior to the end of each month once the VBAFC C&P Benefit Accountant saves the PDF file, the VBAFC C&P Accounting Chief compares the signed PDF journal voucher to the VETSNET–FAS reports and the Excel journal voucher to ensure that the station, fund, account, amount, document number, and document type match across all documentation to confirm the payment to the VAIC. Once this information is verified, the VBAFC C&P Accounting Chief electronically signs the PDF journal voucher. The VBAFC C&P Accounting Chief sends an email to the VBAFC C&P Benefit Accountant for approval and to instruct the VBAFC C&P Benefit Accountant to send an IPAC to the VAIC. The VBAFC C&P Accounting Chief saves the authorized PDF journal voucher and associated documentation on the shared drive.

6. Upon approval, the VBAFC C&P Benefit Accountant manually enters all the information from the journal voucher into Treasury's IPAC system. The VBAFC C&P Benefit Accountant sends a copy of the IPAC payment to the VBAFC C&P Accounting Chief. Each month once the VBAFC C&P Benefit Accountant prepares the IPAC, the VBAFC C&P Accounting Chief compares the information on the IPAC to the information on the journal voucher to ensure it matches and then authorizes the IPAC payment to VAIC within Treasury's IPAC system. The VBAFC C&P Accounting Chief evidences the review via email to the VBAFC C&P Benefit Accountant. The VBAFC C&P Benefit Accountant then manually records the IPAC payment amount in VETSNET–FAS and on the C&P Voucher Log Excel Spreadsheet. The VBAFC C&P Accountant saves screenshots of the VETSNET-FAS entries and the C&P Voucher Log to the shared drive. The following day after recording the IPAC payment amount in VETSNET-FAS, the VBAFC C&P Benefit Accountant reviews VETSNET-FAS to ensure the journal voucher posted correctly for the correct amount based on the IPAC documentation.

7. The VAIC Accountant reviews the manual transaction in IGL to confirm it is correct by pulling an IGL Summary Report of the manual inputs for that day and any relevant supporting documentation. On a daily basis, the VAIC Finance Staff

Accountant compares the Run 155 Report from Formerly Control-D to the IGL Summary Report and any supporting documentation, such as the IPAC from the VBAFC, to verify that the manual entries are recorded properly. If there are any discrepancies for manual entries, the VAIC Accountant corrects the IGL entry based on the supporting documentation. The VAIC Accountant date stamps and signs the summaries as evidence of the review and saves the document and supporting documentation to the shared drive.

Table 34-3 provides the IGL and GL accounts related to VBAFC's IPAC payments for VMLI and NSLI benefit offsets.

**Table 34-3: VBAFC IPAC Payments for VMLI and NSLI Offsets**

| IGL Account Number | IGL Account Description | GL Account Number | (D)ebit / (C)redit |
|---|---|---|---|
| **1012.01** | **Disbursing Authority – Cash Account** | **1010** | **D** |
| **3569.08** | **Undistributed Insurance Collections-Allotment** | **5500 (5501)** | **C** |
| **3569.05** | **Undistributed Insurance Collections-DFB** | **5500 (5501)** | **C** |

Table 34-4 provides the IGL and GL accounts related to loan repayments.

**Table 34-4: Loan Repayments**

| IGL Account Number | IGL Account Description | GL Account Number | (D)ebit / (C)redit |
|---|---|---|---|
| **1012.01** | **Disbursing Authority – Cash Account** | **1010** | **D** |
| **1142.20** | **Policy Loans – Cash Collections** | **2320 (2323)** | **C** |

e. EFT

1. VAIC Collections prepares a daily report noting which payments Treasury should debit from Veterans' accounts for those who have opted in to EFT and manually uploads it to Pay.gov, a Treasury application that allows federal agencies to complete EFT payments and collections. Treasury processes the payments included on the daily report and creates a second daily report noting which payments Treasury processed and those that Treasury was not able to process. On a daily basis, VAIC Collections downloads this COINS 109 report as a mainframe file, which shows the insured Veterans that have paid or not paid their premiums from Pay.gov's interface.

    a) For those accounts in which payment completes correctly, the mainframe file interfaces with VA Insurance systems automatically to update the Veteran's account to reflect that the account is up to date on payments. The mainframe file

also interfaces with IGL to record the payments received via EFT as a summary amount.

b) For those instances in which the payment cannot be processed, VAIC Collections manually generates a notification letter to the Veteran noting what the issue was and requesting the necessary solution, such as providing the correct bank account information.

2. On a monthly basis, the VAIC Finance Staff performs a reconciliation of the EFT collections to confirm that the amounts and accounting information is recorded properly in IGL. The VAIC Finance Staff can pull summary reports from the Formerly Control-D folder for the reconciliation performed that display the total amount of payments or collections over a certain date range. The VAIC Accountant compares the summary values on each report to the amounts recorded in those IGL accounts. If there are any discrepancies, the VAIC Accountant researches the issues to determine the cause and communicates with VAIC Programmers (for system-generated transactions) or to the group that processed the claim to correct the issues. The VAIC Accountant documents his or her review on each Formerly Control-D folder report that he or she reviewed by date stamping and signing the document. The VAIC Accountant saves the reports and the supporting documentation to the shared drive.

Table 34-5 provides the IGL and GL accounts related to EFT collections.

**Table 34-5: EFT Collections**

| IGL Account Number | IGL Account Description | GL Account Number | (D)ebit / (C)redit |
|---|---|---|---|
| **1012.01** | **Disbursing Authority – Cash Account** | **1010** | **D** |
| **3569.01** | **Undistributed Insurance Collections – Direct Pay** | **5500 (5501)** | **C** |
| **3569.01** | **Undistributed Insurance Collections – Direct Pay 370 (system generated)** | **5500 (5501)** | **D** |
| **3561.30** | **Premiums – Offsets** | **5500 (5501)** | **C** |

## 34.06 SECURITY AGAINST LOSS

a. Adequate precautionary measures will be taken and extreme caution will be exercised at all times to prevent the loss, destruction, or misplacement of all remittances and records through negligence, fire or theft. Fireproof vaults and safes will be used to store all remittances, together with attachments, on hand at the close of business each workday.

**NOTE**: Supervisory employees of the Collections activity are charged with the responsibility of placing all remittances in the safes or vaults at the close of business and, after locking vaults and safes, will certify to that fact by signing a record book maintained by the Collections Section Chief. As a further precautionary measure, the

chief or other designated employee will check all vaults and safes in the Collections activity to insure they are locked.

b. Access to the Collections activity will be limited to VA Insurance Collections, Imaging, and Clerical staff as well as designated management personnel.

c. The Statement of Work for the Fiscal Service Lockbox provider includes provisions to ensure the security of data involved in the collections process.

d. The chief guard will be furnished with the name, home address, and telephone number of the responsible official to be notified, should an emergency involving security arise after business hours.

## 34.07 ENDORSEMENT OF REMITTANCES

a. All remittances made payable to one of the following, any abbreviation, or any reasonable variation thereof will be deposited with the VA endorsement as specified by Federal Reserve Bank directive.

   1. Veterans Administrations (VBA, VHA, NCA)

   2. Veterans Affairs

   3. Department of Veterans Affairs

   4. U.S. Treasury

   5. VA Life Insurance

   6. VAIC (Veterans Affairs Insurance Center)

   7. Government Life Insurance

   8. VAROIC (VA Regional Office & Insurance Center)

b. Checks which are made payable to the insured, but not endorsed by that person, require special endorsement. For such checks the following virtual endorsement is as follows:

   0410-3601-7

   US TREAS DG-ECP DATE

c. In instances where banks refuse to accept a special endorsement, the returned check will be processed as an uncollectible remittance.

## 34.08 REMOVAL OF POSTAGE STAMPS

Postage stamps are not to be removed from envelopes since re-use of non-canceled stamps is not permitted. Also, envelopes should not be defaced or marked in any way that might destroy the postmark.

## 34.09 AUTOMATIC RE-PRESENT OF CHECKS BY FEDERAL RESERVE BANK

The Federal Reserve Bank will automatically re-present uncollectible checks once unless the reason for refusal of payment is in a category similar to the following:

a. Maker deceased

b. Account closed, transferred, or no account

c. Payment stopped

## Subchapter 2 - Processing of Regular (Domestic/Non-Cash) Collections Remittances

## 34.10 GENERAL

a. Remittances are any mail enclosed in an envelope mailed to one of the following: P.O. Box 105535, Atlanta, GA 30438-5535; P.O. Box 7787and P.O. Box 42954 both in Philadelphia, PA 19101. The mail is classified as either Closed Mail or Open Mail.

1. Closed Mail is mail received at one of the specified Post Office Boxes for remittances.

2. Open Mail is all mail sent to a P.O. Box other than above P.O. Boxes, or any mail which requires a clerical action before deposit processing.

b. The Fiscal Service Lockbox provider is responsible for providing VA a daily batch listing report.

c. Any remittances received at any of the Philadelphia P.O. Boxes will be sent to the Fiscal Service Lockbox provider P.O. Box in Atlanta, Georgia for processing.

## 34.11 DEPOSIT OF REGULAR REMITTANCES (DOMESTIC)

The Statement of Work for the Fiscal Service Lockbox provider includes detailed processes for handling daily deposits of domestic payments.

## 34.12 NON-NEGOTIABLE REMITTANCES

a. The following types of remittances are classified as nonnegotiable under the Statement of Work for the Fiscal Service Lockbox provider.

1. Remittances made payable to wrong payee (see exceptions in par. 34.07, Endorsement of Remittances)

2. Postage stamps

3. U.S. Savings Bonds

4. Mutilated remittances

5. Blank check or no dollar amount

6. Check in foreign currency (Note: Foreign checks made out in US currency will be processed.)

b. When processing non-negotiable remittances, Treasury's Fiscal Service Lockbox provider will assure that all related material is attached to the premium notice, including the envelope. All such remittances will be processed as general correspondence by the Policyholder Services Division.

***References:***

- M29-1, Part I, Chapter 34, Section 34.07: Endorsement of Remittances

## 34.13 UNCOLLECTIBLE REMITTANCES

a. Treasury's Fiscal Service Lockbox provider sends VA a daily package that includes uncollectible remittances. Through this provider, VA has access to the Debit Voucher Report that lists SF 5515 information via ECP.

b. The Collections Unit will review the daily package from the Lockbox provider, print copies of the Debit Vouchers, match debit vouchers with copy of check, and write down Reason Code on payment.

c. Policyholder Services takes the required actions on the VA Insurance System, completes debit slip, prepares correspondence to the insured, makes two copies of the debit slip, letter, and returned payment. This information is then returned to the Collections Unit by a Policyholders Service Supervisor.

d. The Collections Unit will prepare the necessary reporting to Finance.

## Subchapter 3 - Remittances from Other VA Stations And/Or Cash

## 34.14 DAILY CASH LEDGER

a. A daily bound columnar ledger with printed pre-numbered pages is maintained by the Collections Unit. This ledger is used to control the receipt and deposit of cash received with payments. Pertinent information will be entered to identify the source of the cash as follows:

1. Forwarding Office (City and State)

2. Schedule No. (prefixed by Station No.)

3. Number of items

4. Certified or Registered Mail No.

5. Total amount of the schedule

6. Total local cash and source

b. Cash received for insurance payments in the Philadelphia Insurance Center, must be handed to the supervisor. The employee will hand in the entire contents of the envelope and will annotate the cash amount, date and his/her operator number.

   1. At that time, the supervisor will record in the cash ledger the following: postmark date, name, file number, check amount (if any), cash amount and the bank identification number.

   2. The supervisor will then walk to the VA Federal Credit Union and obtain money orders for the cash amounts. The supervisor indicates on each payment document the cash amount and the check amount and then indicates the total amount that each account is to be credited. The supervisor then balances the total document payments with the total of the check amounts plus the money order amount.

   3. The supervisor sends the money orders to Treasury's Fiscal Service Lockbox provider's P.O. Box in Atlanta, Georgia.

## 34.15 PROCESSING

a. Remittances ready for processing (including cash) generally come from three sources:

   1. Treasury lockbox provider,

   2. Mail Unit - Administrative Division, and

   3. Agent Cashiers at VA offices nationwide.

b. There are instances where remittances could come from other VA organizations. A description of applicable processing procedures follows:

   1. Cash Processing

      a) Collections. Any cash and related material is taken immediately to the supervisor who will verify the amount and record the receipt of cash in the cashbook. The cash is kept in a locked cash box maintained by the designee who hand carries the cash and related material to the Credit Union once a day.

      b) Imaging Unit. Cash is entered in the Registry Log maintained in the Imaging Unit and subsequently hand carried to the Collections Supervisor.

   2. Cash and Other Remittance Processing - When a payment is made to the agent cashier, a VA Form 367, Counter Receipt-Government Life Insurance Form is prepared. This is a four part form. Part one is the original white customer copy, and

will be given to the customer if present, or retained by the agent cashier. Part two is used when payment is made by check or money order. This copy is paper clipped to the check, and forwarded to Collections. Part three is a yellow copy used when a payment is made in cash. Part four serves as documentation for the station of the disposition of accountable funds.

3. Remittance Processing from Other VA Stations

   a) Remittances from other VA Stations are handled by the Agent Cashier. VA Insurance receives VA Form 367, Counter Receipts which are processed as non-cash receipts through the Insurance Accounting Staff in the Program Management Division.

## 34.16 UNASSOCIATED AND CASH REMITTANCES

The Statement of Work for Treasury's Fiscal Service Lockbox provider includes detailed processes for handling unassociated and cash remittances sent to the Lockbox.

## Subchapter 4 - Processing and Depositing Foreign Remittances

## 34.17 GENERAL

The Statement of Work for Treasury's Fiscal Service Lockbox provider includes detailed processes for handling foreign remittances.

## 34.18 REMITTANCES DRAWN ON FOREIGN BANKS PAYABLE IN UNITED STATES DOLLARS

Treasury’s Fiscal Service Lockbox provider will process checks drawn on a foreign bank but paid in U.S. dollars.

## 34.19 REMITTANCES DRAWN ON FOREIGN BANKS PAYABLE IN FOREIGN CURRENCIES

Treasury’s Fiscal Service Lockbox provider will not process checks drawn on a foreign bank and paid in foreign currency. These are handled based on the detailed processes in the Statement of Work.

## 34.20 FOREIGN CASH

Treasury’s Fiscal Service Lockbox provider will not process foreign currency. These are handled based on the detailed processes in the Statement of Work.

## Subchapter 5 - Manila Insurance Collections

## 34.21 GENERAL

Insurance remittances collected in the Manila regional office are deposited with the Manila Branch, National City Bank of New York, rather than transmitted to the Philadelphia VA Regional Office and Insurance Center for deposit. Duplicate copies of the deposit slips, including the confirmed copy, VA Form 4-1551, Transmittal Schedule of Insurance Collections, VA Form 367 and VA Form 4-1622, Transmittal List of Posting Media and Report of Distribution, are mailed to the Philadelphia VA Regional Office and Insurance Center Agent Cashier and forwarded to the Collections Unit for preparation of input to credit the insured's account.

## 34.22 MANILA INSURANCE COLLECTIONS-MANILA PROCESSING (AGENT CASHIER)

Remittances from the Manila Regional Office are handled by the Agent Cashier. VA Insurance receives VA Form 367, Counter Receipts which are processed as non-cash receipts through the Insurance Accounting Staff in the Program Management Division.

## 34.23 MANILA INSURANCE COLLECTIONS - PHILADELPHIA PROCESSING

a. Acknowledgment and verification of receipt of a shipment is accomplished in the same manner as a domestic shipment.

b. All confirmed deposit and debit documents are delivered to the Accounting Section immediately with a notation of the processing day number on which the input will be introduced into the daily update processing.

c. The items received are separated (Paid-As-Billed, Not Paid-As-Billed, Philippine Service) and processed in accordance with local operating procedures.

d. The input is combined and totaled to verify the total amount of credit to be applied to the insured's accounts. The input is then released for computer processing.

e. All documents received from the Manila Regional Office are stamped with the unit of deposit number. VA Form 4-1622 is released to the Accounting activity for posting.

# Subchapter 6 - Electronic Payments from Service Departments

## 34.24 PROCESSING

The monthly allotment payments are sent to VA electronically by the Defense Finance and Accounting Service.

## Subchapter 7 - Servicemembers' Group Life Insurance (SGLI) Premium Payments

### 34.25 GENERAL

a. Public Law 89-214 established a Group Life Insurance program for members of the Uniformed Services of the United States. This program is administered by a commercial primary insurer and supervised by VA. Premiums for this insurance are deducted monthly from the insured's service pay and remitted by each Uniformed Service to VA. VA, in turn, remits the premiums to the primary insurer, with whom it has a contract to administer this program. Reimbursements for administrative costs are made to the VA Insurance Center based on the estimated workload/costs associated with supervision and outreach activities.

b. The program is controlled by establishing a subsidiary record for each of the services. In addition to premiums, the uniformed services also contribute an amount for any necessary extra hazard costs, as computed by the Actuarial Staff (290D). These extra hazard costs are also funded from the pay appropriations of the uniformed services.

c. Insurance Program Management Division staff is responsible for the deposit and control of receipts and for the payment of amounts due the primary insurer.

### 34.26 SGLI PREMIUM PAYMENT PROCESSING

a. The uniformed services are responsible for enrolling Servicemembers in SGLI, as well as deducting monthly SGLI premium payments from their pay. The Uniformed services are responsible for sending the premium payments to the VA via an IPAC payment, and the VAIC in turn remits the premium payments to the primary insurer via Treasury's SPS system. National Oceanic and Atmospheric Administration (NOAA) and the Department of Homeland Security (DHS) handle their own payments; all of the remaining branch payments come from Defense Finance and Accounting Service (DFAS). Extra hazard payments are also submitted via IPAC.

b. The Insurance Program Management Division checks the IPAC system daily for payments and vouchers the payments authorizing the disbursement to the Office of Servicemembers' Group Life Insurance (OSGLI). The vouchers and supporting documentation are sent to OSGLI, Internal Controls, and Insurance Finance.

c. The VAIC Internal Controls Chief or designee completes a review of vouchers and reports within one day of receiving the IPAC and supporting documentation.

d. Once Internal Controls completes their review, the information from the SGLI Voucher is entered into Treasury Software system called SPS to complete the payment.

e. Once the SGLI voucher is entered into Treasury SPS, Internal Controls sends a hard copy of the voucher(s), IPAC sheet(s), payment breakdown, and signed SPS to Insurance Finance.

f. Once Insurance Finance receives a hard copy of the SGLI Voucher(s), payment breakdown, and approved SPS printout for remitting the payment, the certifying officer

will review the Information in SPS and certify the payment in SPS, which remits the payment to Treasury, who will then send it to the primary insurer.

## 34.27 SGLI PREMIUM PAYMENT PROCESSING REPORTS

a. IPAC SGLI Premium data is retained in the FY XX Excel workbook. It includes:

   1. The date the money was received.

   2. The date the money was vouchered for disbursement to OSGLI.

   3. The branch remitting the premiums or extra hazard payment.

   4. The type of premium or extra hazard payment.

   5. The amount of the payments.

   6. The voucher number.

b. After the end of the month, Insurance Program Management Division (IPMD) reconciles the FY XX workbook with the internal financial report -- Ledger Assets, Income and Disbursements (LAID), OSGLI's VA Monthly report and TSGLI Accounting Summary report.

c. IPMD emails the vouchers and breakdowns to Internal Controls, Insurance Finance, and OSGLI.

d. Insurance Finance generates an IGL Summary Report of the daily manual inputs and any relevant supporting documentation. They then compare the Run 155 Report from Formerly Control-D folder to the IGL Summary Report and any supporting documentation, to verify that the manual entries are recorded properly.

Table 34-6 provides the IGL and GL accounts related to recording SGLI premium payments.

**Table 34-6: Recording SGLI Premium Payments in IGL**

| IGL Account Number | IGL Account Description | GL Account Number | (D)ebit / (C)redit |
|---|---|---|---|
| 1012.01 | Cash | 1010 | D |
| 3573.01 | Premiums – Active Duty | 5500 (5501) | C |
| 3573.02 | Premiums – Reservists | 5500 (5501) | C |
| 3573.03 | Premiums – Spouse | 5500 (5501) | C |
| 3574.00 | Contributions for Extra Hazard Costs | 5500 (5501) | C |

e. The Actuarial Staff records the SGLI premium payment on their SGLI Premium Payment Tracker. The Actuarial Staff performs a weekly reconciliation between their SGLI Premium Payment Tracker and the IPAC sheets from the past week. At the end of the month, the Actuarial Staff also compares their SGLI Premium Payment Tracker to the Budget Staff's FY XX Excel workbook.

f. The uniformed services send the IPMD reports showing the number of individuals with SGLI coverage, reported premiums, any adjustments, and the total reported amounts. IPMD performs monthly updates of each uniformed service's tab in the Excel premiums reconciliation workbook using the information the service provided. IPMD then reviews the expected amount due, amount received, and amount reported by the uniformed services to confirm that there is less than a five percent difference between the amount received and the expected/reported amounts. The budget staff drafts a memorandum to Insurance leadership documenting the SGLI premiums that have been received (or not received) from the services for the month due, along with anything unusual, such as a variance over 5 percent, if there was any unusual activity, IPMD requests an explanation for why the unusual activity occurred. The Actuarial Staff and the Budget Staff Supervisor review the SGLI Premium memorandum. The Budget Staff supervisor then sends the memorandum to Insurance leadership and OSGLI.

g. Policy, Procedures, and OSGLI Oversight Staff oversees the SGLI and VGLI programs administered by primary insurer. Insurance Budget Staff sends the Policy, Procedures, and OSGLI Oversight Staff a monthly report of outstanding SGLI premiums and anomalies. This report provides detailed information on uniformed services that are behind in their monthly IPAC premium payments or are experiencing other payment issues. If the issues are not resolved in a timely manner, the Policy, Procedures, and OSGLI Oversight Staff reaches out to their contacts within the service to resolve the issue.

## 34.28 VGLI Premium Payment Processing

VA has a role in collecting premiums for the primary insurer when Veterans opt to use their VA benefits to pay for the VGLI premiums. The premiums are transferred electronically from VA to the primary insurer by secure VPN tunnel on a monthly basis.

## 34.29 VGLI Premium Payment Reporting

a. On a monthly basis, VETSNET-Finance Accounting Service runs cycle Z automatically, which is an end of month processing report. Cycle Z produces an Excel and PDF report for VGLI journal vouchers that VBA's Finance Center (FC) processes that month. After cycle Z processes, the VBA FC generates the VGLI Detail Listing of 07R Deductions report from VETSNET-FAS. The VBAFC manually notates the journal voucher number, date, amount, and pay date from the C&P Schedule of Operations on the PDF VGLI report. The VBAFC uses the Accounting Journal Excel spreadsheet to review the cumulative total of offsets and compares the journal voucher to the Accounting Journal and VA02 Insurance Deduction Monthly Reconciliation Report.

b. Prior to the end of each month after the VBAFC prepares the journal voucher, the Certifying Officer reviews the VGLI journal voucher to ensure it matches the Accounting

Journal, and verifies that there are adequate funds to process the payment for benefit offsets.

c. The Certifying Officer provides approval to input into SPS for payment. and certifies the payments to the primary insurer using benefit offsets, which sends the payment, and enters the payment into IGL.

Table 34-7 provides the IGL and GL accounts related to recording VGLI premium payments.

**Table 34-7: Recording VGLI Premium Payments via VBAFC Offset**

| IGL Account Number | IGL Account Description | GL Account Number | (D)ebit / (C)redit |
|---|---|---|---|
| 1012.01 | Disbursing Authority – Cash Account | 1010 | D |
| 3569.08 | Undistributed Insurance Collections-Allotment | 5500 (5501) | C |
| 3569.05 | Undistributed Insurance Collections-DFB | 5500 (5501) | C |

The VBAFC inputs the VGLI accounting information into VETSNET-FAS. The VBAFC C&P Benefit Accountant saves the VGLI voucher, VETSNET-FAS Accounting Journal, VETSNET-FAS transaction screen shots, and any email correspondence.

The Actuarial Staff and the Budget Staff Supervisor review the IPMD Budget Analyst's SGLI Premium memorandum. The Budget Staff supervisor then sends the memorandum to Insurance leadership and OSGLI.

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**Publication Date:** June 11, 2019

### 35.01 GENERAL

a. Policy changes, transactions, or requests for specific policy information may only be authorized by the policyholder, VA recognized fiduciary of the policyholder, or an agent appointed by the policyholder with a Power of Attorney or legal guardianship that includes these actions. VA Insurance employees are authorized to confirm premium amounts to representatives of service organizations when there is no power of attorney or authorization from the insured. Employees will not release any information, other than confirming premium amounts to a VSO as noted above, to a third party without proper written authorization.

b. Information which is general to the life insurance program, such as historical or current loan interest rates, available plans of insurance and their premiums rates and how cash value/loan value is earned, etc., may be given to any third party.

c. Premium and loan payments may be made by any third party. However, neither premium nor loan status will be released to anyone other than the policyholder and those agents in 35.01a. However, any refund of these payments or any cash surrender value would be paid only to the policyholder or VA recognized fiduciary of the policyholder.

d. Where a proper authorization is of record and the third party has requested status or general information not requiring specific action on the part of the insured, such status or information will be furnished directly to the third party without communicating with the insured. If action is required by the insured in order to maintain or protect his rights under the policy, the insured will be notified directly, and copies of the correspondence will be sent to the authorized third party.

e. Information will be released to a third party only as requested by such authorized person. The fact that a VA Form 29-4337 or its equivalent may be on file does not mean that the third party will be notified automatically concerning transactions between the VA and the insured from time to time. The third party will be given information to which he or she is entitled only upon his or her request in writing.

f. When the authorized third-party requests that all correspondence or completed actions be forwarded to him or her, the request will generally be complied with; however, when

it is not practical to do so, he or she will be advised. For example, when a computer-generated policy is sent to the address in the master record, the third party will be advised as to the action taken and the reason VA is unable to comply with his or her request.

## 35.02 VA RECOGNIZED FIDUCIARY OR LEGAL GUARDIAN

a. A VA recognized fiduciary (for purposes of the life insurance program) is any third party authorized by VA to receive benefits on behalf of a Veteran.

b. A legal guardian is any third party authorized by a court to handle the affairs on behalf of a Veteran.

c. VA recognized fiduciaries and legal guardians may authorize the following actions on behalf of a policyholder:

   1. Obtain any specific policy information, including the name of the current beneficiary (NOTE: This does not include naming of beneficiaries.)

   2. Apply for insurance, conversion, change of plan or reinstatement

   3. Withdraw dividends held on deposit/credit

   4. Select or change the dividend option

   5. Obtain a policy loan

   6. Surrender a policy

   7. Authorize a deduction from VA benefits or an allotment from military retired pay

   8. Receive payment of the proceeds on a matured policy

   9. Select or change the method and/or mode of premium payment

   10. Apply for waiver of premiums, and select or change settlement options

   See 38 CFR 8.32

d. VA recognized fiduciaries or legal guardians of beneficiaries of a deceased policyholder may authorize the following actions on behalf of a beneficiary that would otherwise have authority to take the action:

   1. Assign the proceeds of a policy under the limitations of 38 U.S.C. 1918. Specifically, assignment may only be made if:

      a) all other beneficiaries, including contingent beneficiaries agree to the assignment, and

      b) if the assignment is to a widow, widower, child, father, mother, grandfather, grandmother, brother, or sister of the insured.

2. Change the settlement option.

e. When a VA fiduciary requests any of the above-mentioned actions, VA recognized fiduciary status must be verified to document through VA systems that the third party is currently receiving VA benefits on behalf of the insured.

f. When a VA fiduciary requests an action on a policy, it may not be made until a current VA Form 27-555 (within 6 months) or certification available on VA systems (within 6 months) is verified.

g. Any time a requested action is delayed while pending recognition of fiduciary authority, the third party should be notified of the delay.

h. When a Form 27-555 is received, the insurance record should be updated. It is considered current authority for any subsequent third-party requests within six months of the date on the 27-555.

i. Any payments of $350 or more issued to a VA recognized fiduciary on behalf of an insured is reported to the Veterans Service Center Manager of the Regional Office of jurisdiction.

j. When a legal guardian requests any of the above-mentioned actions, evidence of appointment by a court of jurisdiction must be of record or provided with the request.

***References:***

- 38 CFR 8.32: Authority of the Guardian
- 38 U.S.C. 1918: Assignments

## 35.03 POWER OF ATTORNEY

a. Power of Attorney authority can originate only from the policyholder, while the policyholder is legally competent for insurance purposes. The document which grants Power of Attorney must be signed by the policyholder.

b. If the Power of Attorney limits the authority to specific actions which can be performed, the requested action should be among those specified. If the Power of Attorney grants a general authority to handle all affairs, any requested actions (i.e. loans, cash surrenders), except a change of beneficiary may be performed.

   **For example**: A Power of Attorney worded "….any transactions, including but not limited to…", would be a general Power of Attorney, whereas a Power of Attorney that simply listed potential actions without the words "any" or "all", would be a specific Power of Attorney.

c. A healthcare Power of Attorney is not acceptable to take action on a policy. A healthcare Power of Attorney only authorizes action on healthcare decisions.

d. Unless otherwise stated, the Power of Attorney remains in effect until it is revoked by the policyholder. All documents granting or revoking Power of Attorney should be imaged to the insurance record.

e. When a policyholder becomes incompetent, the Power of Attorney is automatically revoked, unless the document granting the Power of Attorney specifically states it will continue in the event the policyholder becomes incompetent.

   **For example**: A Power of Attorney worded "…is durable…" or "… will remain in effect upon incapacity or disability…" would continue upon the insured becoming disabled. A Power of Attorney worded "…will take effect upon disability or incapacity of principal…" would take effect upon the insured's date of incapacity or disability. A Power of attorney that states "…expire upon the principal's incapacitation or becoming disabled…"…will expire upon the insured becoming incapacitated or disabled.

f. All questionable cases involving a power of attorney should be submitted to the Assistant Director, Insurance Program Management Division.

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**Publication Date:** June 11, 2019

### 36.01 GENERAL

a. Veterans' Mortgage Life Insurance (VMLI) was effective for the first time on August 11, 1971, and was authorized by Public Law 92-95. It is available to any eligible Veteran/Servicemember who is or has been granted assistance in securing a suitable

housing unit under 38 U.S.C. chapter 21, against the death of the Veteran/Servicemember, unless the Veteran/Servicemember elects in writing not to be insured or fails to respond to a request from the VA for information on which a premium can be based.

b. The VA Insurance Center administers and supervises the program. Responsibilities of the VA Insurance Center include maintaining records of all activities incident to the release of notifications of eligibility for VMLI and the necessary follow-up requirements; the control and processing of replies; liaison with the Hines Information Technology Center for the establishment and control of deductions from benefits for the monthly premiums; payment of death claims; and the accumulation and control of all material relating to VMLI coverage.

c. The insurance issued under this program cannot be assigned.

d. To be eligible for VMLI the Veteran/Servicemember must:

    1. have received a Specially Adapted Housing (SAH) grant or a Special Housing Adaptation (SHA) grant under 38 U.S.C. chapter 21;

    2. be obligated for a mortgage loan on the housing unit;

    3. reside or will soon reside in a mortgaged housing unit; and,

    4. not have reached their 70th birthday.

e. The United States Government bears the cost of the insurance except for the premiums paid by the insured Veterans/Servicemembers. As the premiums collected from insureds' benefits do not cover the cost of this program, VA requests annual mandatory budget appropriation through the Veterans' Insurance and Indemnities fund (36X0102) to subsidize the shortfall between premium collections and VMLI payments. The VI&I appropriation fund is maintained by VBA Accounting Policy and Reporting Division (VBA-APRD) in VBA Central Office. When the VI&I cash balance in Philadelphia falls below one million dollars, which typically occurs once or twice a month, the VA Insurance Center (VAIC) Accounting Staff emails the VAIC Actuarial Staff to request cash. The VAIC Actuarial Staff confirms VI&I cash balance and sends a cash replenishment request to VBA Credit Reform Staff, who then forwards the request to VBA-APRD. A VBA-APRD Accountant prepares a Transfer of Disbursing Authority (TDA) in the amount requested by the VAIC Actuarial Staff and the VAIC Accounting Staff records the replenishment in the Insurance General Ledger. The administrative costs associated with operating the VMLI Program is funded by annual discretionary budget appropriations through the VBA General Operating Expenses (GOE) and Office of Information and Technology (OI&T) accounts.

***References:***

- 38 U.S.C. Chapter 21: Specially Adapted Housing For Disabled Veterans

## 36.02 AUTOMATIC INSURANCE

a. This life insurance shall automatically insure the home mortgages of any eligible Veteran/Servicemember whose grant was approved and fully disbursed and who on the

date the grant was approved or on the date the grant was fully disbursed, was obligated on a mortgage loan on the housing unit purchased, constructed, or remodeled in part with the grant.

b. However, an eligible Veteran/Servicemember will not be automatically insured if they:

   1. have attained the age of 70 at the date the SAH/SHA grant was approved and/or mortgage obligation is established, or

   2. elect in writing not to be insured, or

   3. fail to respond within 30 days after the date a final request is made or mailed to him or her for information on which the premium can be based.

## 36.03 CONTINUING ELIGIBILITY

An eligible Veteran/Servicemember who is not automatically insured under this program and who is obligated or becomes obligated under a mortgage loan on a housing unit, upon application in writing to VA for insurance under this policy, submission of mortgage information on which the premium can be based, payment of the required premium, and upon approval by VA, will be insured under this program. Subject to the legislative maximum amount of insurance, and to the reduced maximum amount of insurance available to them and to the other requirements, an eligible Veteran/Servicemember is entitled to be insured under this program, or to apply for such insurance as often as they become obligated under a mortgage loan or a refinanced mortgage loan on a housing unit or a successor housing unit owned and occupied by them.

## 36.04 MAXIMUM AMOUNT OF INSURANCE

a. The maximum amount of insurance in force at any one time shall not exceed the lesser of the following amounts:

   1. The current legislative maximum.

   2. The amount of the unpaid principal of the mortgage loan outstanding on the date of approval of the grant on a housing unit owned and occupied by the eligible Veteran/Servicemember, or on a housing unit being or to be constructed or remodeled for them when the grant is approved. Such initial amount of insurance may be adjusted upward, subject to the maximum amount of insurance available to the eligible Veteran/Servicemember, or downward, depending upon the amount of the mortgage loans outstanding on the date of full disbursement of the grant, or on the date of final settlement of the purchase, construction, or remodeling agreement, whichever date is the later date.

   3. The amount of the unpaid principal outstanding on the mortgage loan on the newly acquired housing unit on the date insurance under VMLI is placed in effect, when an eligible Veteran/Servicemember ceases to own the housing unit purchased in part with a grant, or a second housing unit that was acquired at a later date and which was subject to a mortgage loan that resulted in their life being insured under this

program and they became obligated under a mortgage loan on another housing unit occupied or to be occupied by them.

4. The amount of the incurred or refinanced mortgage loan, when an eligible Veteran/Servicemember incurs or refinances a mortgage loan, subject to the limits of the reduced maximum coverage.

b. The amount of insurance shall not exceed the principal amount of the outstanding mortgage loan, when the title to a housing unit is or will be vested in an eligible Veteran/Servicemember and their spouse, If title to an undivided interest in a housing unit is or will be vested in a person other than the spouse of an eligible Veteran/Servicemember, the amount of insurance on the eligible Veteran/Servicemember's life shall be computed to be such part of the total of the unpaid principal of the loan outstanding on the housing unit as is proportionate to the undivided interest of the Veteran/Servicemember in the entire property. For example, if the Veteran/Servicemember has an undivided interest of 50 percent, the insurance will be reduced by 50 percent and the premium adjusted accordingly. The Veteran/Servicemember will be advised by letter of the action taken.

## 36.05 EFFECTIVE DATE OF PROTECTION

a. The insurance will be effective on the date the grant is approved, if on that date the eligible Veteran/Servicemember is obligated under a mortgage loan, and such Veteran/Servicemember is automatically insured unless they elect in writing not to be insured, or fail to respond within 30 days after the date a final request is made or mailed to them for information on which the premium can be based.

b. The insurance will be effective on the date of approval of a grant, if such insurance did not become effective because he or she was not obligated under a mortgage loan on that date, or because he or she elected in writing not to be insured, or failed to timely respond to a request for information on which the premium could be based, or for any other reason, the insurance will be effective on a date agreed upon by the Veteran/Servicemember and VA, but only if they file an application in writing with VA, submit mortgage information on which the premium can be based and are or become obligated under a mortgage loan upon the date agreed upon as the effective date of insurance.

c. When an eligible Veteran/Servicemember disposes of the title to a housing unit purchased, constructed or remodeled, in part, with a grant or a subsequently acquired housing unit, and becomes obligated under a mortgage loan on another housing unit occupied or to be occupied by them, the insurance will be effective on a date requested by the Veteran/Servicemember and agreed to by VA, but only if the eligible Veteran/Servicemember files an application for and is entitled to the insurance; submits mortgage information on which the premium can be based and is obligated under a mortgage loan on the date the insurance is to become effective.

d. When a Veteran/Servicemember insured under this program refinances the mortgage loan to avoid a default, to consolidate liens, to renew or extend the time for payment of the indebtedness, and in cases in which the housing unit is being bought, built, remodeled or enlarged by increasing the amount of such an indebtedness, any increase in the amount of insurance or any change in the rate of reduction of the insurance will be effective on a date requested by the Veteran/Servicemember and agreed to by VA,

but only if they file an application, and furnish the mortgage information on which the premium can be based.

e. All insurance will begin immediately after midnight on the applicable effective date and end immediately before midnight on the applicable termination date.

## 36.06 PREMIUMS

a. The premium rates are based on the 2001 Commissioners Standard Ordinary (CSO) Mortality Table.

b. The premium due date for all policies is the 11th of the month.

c. A grace period of 31 days from the premium due date will be allowed for the payment of any premium except the first premium. During the grace period the insurance on the life of the insured will continue in force. If the premium is not paid before the expiration of the grace period, the insurance will automatically be discontinued at the end of the grace period.

d. Premiums are based on the mortality costs of insuring standard lives, and are, therefore, lower than any commercial premiums for similar coverage.

e. The law authorized and directed the VA to deduct the premiums charged for Veterans/Servicemembers the life insurance under this program from any compensation payable to them by VA, and to pay such monthly premiums to the VA Insurance Center. An insured Veteran/Servicemember, not drawing compensation from VA, must pay his or her premiums directly to the VA Insurance Center. It is the responsibility of the insured to see that these direct premiums are paid monthly.

f. Premiums are determined by the insurance age of the Veteran/Servicemember, the outstanding balance of the mortgage at the time of application, the remaining length of time the mortgage has to run, and the amount of coverage elected by the Veteran/Servicemember, not to exceed the outstanding balance of the mortgage.

## 36.07 NOTIFICATION OF VETERAN

a. If a Veteran/Servicemember becomes eligible to apply for the insurance, a copy of their VA Form 26-1836, Specially Adapted Housing Grant Record Card, is transmitted electronically to the VA Insurance Center through a data-sharing interface with Loan Guaranty Service's Specially Adapted Housing Program. A file containing the VA Form 26-1836, Specially Adapted Housing Grant Record Card for every Veteran/Servicemember approved for a grant that day is transmitted daily.

b. The electronic grant card includes the statement "Veteran requests VMLI". There are two checkboxes. A checkmark in the "Yes' checkbox indicates the Veteran/Servicemember desires VMLI coverage. A checkmark in the "No" checkbox indicates the Veteran/Servicemember declines coverage. A checkmark in the "Yes" checkbox is accepted as an electronic signature and considered the same as a signed VA Form 29-8636 Application for Veterans' Mortgage Life Insurance.

## 36.08 PROCESSING REQUEST FOR VMLI COVERAGE

a. Veterans/Servicemembers that elect VMLI coverage via the electronic grant card or submit VA Form 29-8636 are sent a letter requesting specific mortgage documentation so a premium may be calculated. The letter requests a reply within 31 days from the date of the letter. If a response is not received within 45 days, a second notification letter will be sent to the Veteran/Servicemember. If a response is not received within 45 days after the second notification, a final notice is sent to the Veteran/Servicemember stating that VA will not contact the Veteran/Servicemember again for mortgage documentation, and the case is closed. The Veteran/Servicemember may apply for VMLI up to age 70.

b. Upon receipt of a VA Form 29-8636 from a Veteran/Servicemember who has been eligible for the insurance but did not contract for the coverage because they were not obligated under a mortgage loan on the date of eligibility; or elected in writing not to be insured; or failed to timely respond to a request for information on which premiums could be based; or refinanced an existing mortgage; or obtained a new mortgage on a new housing unit after selling a housing unit which was already insured, the procedure outlined in 36.05a will be followed.

c. Upon receipt of the above information, Veterans Claims Examiners (VCEs) in the Live Claims Division (297) will process for VMLI coverage.

***References:***

- M29-1, Part I, Chapter 36, Section 36.05: Effective Date of Protection

*Forms*

- VA Form 29-8636: Application for Veterans Mortgage Life Insurance

## 36.09 PROCESSING NO-MATCH CASES (OTHER THAN DEATH)

a. Upon receipt of a VA Form 29-8636 with part A completed, and there is no record of a VA Form 26- 1836 Specially Adapted Housing Grant being received, it will be necessary to contact the Specially Adapted Housing Unit of the Loan Guaranty Service to request status of the Veteran/Servicemember. 297 VCEs with access to the Specially Adapted Housing Special Housing Adaptation online portal may utilize that system to determine the grant status of the Veteran/Servicemember.

b. If the VA Form 26-1836 has been received but the information on the VA Form 29-8636 does not agree with the information on the card, action will be taken to resolve the discrepancy. If the file number does not agree, the Veteran/Servicemember will be researched through VA systems to determine the correct file number.

***References:***

*Forms*

- VA Form 29-8636: Application for Veterans Mortgage Life Insurance

## 36.10 PROCESSING INPUT TO ESTABLISH DEDUCTIONS

a. The VA Insurance Center will electronically export a file each month of all VMLI Deduction from Benefits requests processed since the previous export. The electronic export will be on or near a date established by the Hines Information Technology Center.

b. The Live Claims Unit Chief or Section Chiefs will process the monthly VMLI Deduction from Benefits export that is transmitted to the Hines Information Technology Center for processing.

## 36.11 CERTIFICATES

Each insured Veteran/Servicemember will receive a certificate from VA setting forth the benefits to which they are entitled under the insurance, and the essential features of it, including any provisions limiting the coverage, or reducing the benefits, to whom benefits are payable, and to whom proof of claim should be submitted. The amount of insurance coverage is shown on the certificate.

## 36.12 CHANGE OF ADDRESS

a. Whenever a Veteran/Servicemember who has received a housing grant submits a change of address to VA, notification of the address change will be included in the daily transmission of the electronic VA Form 26-1836, Specially Adapted Housing Grant Record Card.

b. If the address change involves a Veteran/Servicemember with VMLI in force, the insured will be immediately requested to inform VA if the change of address indicates termination of ownership of the housing unit on which the mortgage insurance was obtained. The Veteran/Servicemember will also be advised that they may also obtain mortgage insurance on a new housing unit when they have divested themselves of ownership of the prior VMLI-insured home.

c. If the address change involves a Veteran/Servicemember without VMLI in force, no additional action will be taken and no diary will be established nor a follow-up made.

## 36.13 ADJUSTMENT OF PREMIUMS

The following rules apply when adjusting VMLI premiums:

a. A recalculation of the premium is required whenever the prepayment(s) on the mortgage under which the amount of insurance is determined amounts to $3,000 or more from the original date of the insurance or from the date the premium was last adjusted.

b. When the adjustment is made retroactively because of an error, the premium must be computed at the original age.

c. When an adjustment is made because of a current prepayment, the premium must be computed at the current age.

d. If the prepayment is made after the effective date of the mortgage insurance, the adjustment will be made as of the next monthly due date following the coverage reduction.

e. Refunds of over-deductions will be made by the VA Insurance Center to the insured.

## 36.14 MISSTATEMENT OF AGE

If the age of any insured person has been misstated, a premium adjustment will be made. If the correct age is younger than the stated age, VA will refund to the insured any overpayment of premiums. If the correct age is older than the stated age, the insured person must pay VA the difference between the premiums paid and the premiums due at the correct age. If the age discrepancy is discovered at point of claim and the older age is correct, the amount of insurance payable will be the amount of insurance in force less the amount of premiums payable based on the correct age of the insured.

## 36.15 TERMINATION OF INSURANCE

a. Insurance under this program shall terminate when whichever of the following events occurs first:

    1. Satisfaction of the Veteran/Servicemember's indebtedness under the loan upon which the insurance is based;

    2. Termination of the Veteran/Servicemember's ownership of the property securing the loan;

    3. Request of the Veteran/Servicemember;

    4. Discontinuance of payment of premiums by the Veteran/Servicemember;

    5. Expiration of the period of time required for the amortization of the loan if all payments had been timely made, in cases in which the insurance is reduced in accordance with the schedule for the reduction in the principal of the mortgage loan.

b. Termination of the mortgage protection life insurance will in no way affect the guaranty or insurance of the loan by VA.

## 36.16 AMOUNT OF BENEFITS

a. The amount of benefits payable will be the lesser of the following amounts:

    1. Legislative maximum,

    2. The reduced maximum amount of insurance available to the Veteran/Servicemember,

3. The amount of the unpaid principal of the mortgage on the insured's housing unit on the date of their death,

4. The amount of the principal of the mortgage on the insured's housing unit that would have remained unpaid on the date of their death had all loan, interest and other payments on the loan, been paid in full when due.

b. In addition to the amounts specified in subparagraph a above, interest will be paid on the benefit amount at point of claim, at the per diem rate, from the date of the last scheduled mortgage payment preceding the date of death of the insured to the date of payment of benefits under this insurance program.

c. In addition to the interest specified in subparagraph b above and the amounts specified in sub paragraph a (3) or (4) above, there will be paid the amount of any prepayment penalty resulting from paying of benefits of this insurance which, when added to the amounts payable under subparagraph a (3) or (4) above, does not exceed the amounts specified in subparagraph a (1) or (2) above, whichever amount is applicable.

d. No payments shall be made under this insurance when the insurance is reduced in accordance with the schedule for reduction of the principal for a period of time required to liquidate the mortgage, if all payments had been timely made.

e. The amount of benefits otherwise payable shall not be reduced because of any payment made or due on the mortgage on the date of death of the insured.

## 36.17 PAYMENT OF CLAIMS

Any amount of VMLI in force on the date of death of the insured shall be paid only to the holder of the mortgage. If VA is the holder of the mortgage, the insurance proceeds shall be credited to the indebtedness and, as appropriate, deposited in either the direct loan or the Loan Guaranty revolving fund. If there is more than one mortgage on a housing unit at the time the insured dies, the proceeds will be payable to the holder of the mortgages in the order of the priority of the liens.

# Part II Accounts Procedures

Not updated as part of insurance manual updated from 2017 – 2019 due to impact of Vision on procedures. Need to determine if we still need this section.



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**1.01 GENERAL**

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

**b.** **The system will not generate premium notices after the premium due date if the next premium due date in the master record is more than [401 days before the billing callup date. The Monday billing routine must be taken into consideration in calculating the [40]-day callup date limit, when clerically preparing documents to force the system into the billing routine.**

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

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

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

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

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

## 1.02 BILLING CALLUP CODES

The computer policy callup routine establishes a callup code 700 for premium billing, 320 for 4 percent loan interest billing, 330 for 5 percent loan interest billing, 321 for premium lien interest billing, and 322 for overpayment lien interest billing. Even though the callup code on 5 percent loan interest billing is 330, on the transaction history list it will be printed as 320. **In** addition, a callup code 701 is established to release a premium notice on other-than-monthly accounts after the dividend credit withdrawals reduce the balance to an amount which will pay one premium but not two. When the premium billing callup is reached and bills cannot be **initiated, VA** Form 29-5886 [b, Insurance] Record Printout, will be generated showing a reason code in the 700 **series,** unless the bills cannot be initiated because of the (40]-day limitation, in which case no RPO is generated. These codes are listed and defined in MP6, part II, supplement No. 1.4. The dates selected to initiate these billing actions are shown in MP-6, part **II,** supplement No. 1.2, chapter 2.

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

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

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



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

## 1.04 BILLING OF FROZEN ACCOUNTS

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

**a. There must be a life and/or policy freeze, and the how paid code must be direct pay (9).**

**b. The billing code must reflect a premium notice due or past due.**

**c. There is no XC or CASH SURR. pending diary.**

**d. There is no pending deduction transaction (100 series).**

**e. There is no policy callup code in the 950 or 970 series.**

**f. There is no invalid date in the record (999 policy callup code).**

**g. There is no 203 pending transaction.**

**h. There is no cutback bill due on an endowment plan.**

**i. On term accounts, pending renewal must be on or after the billing month.**

j. The next month due for TDIP and life premiums must be the same.

k. If monthly mode:

**(I) Next month due must be same as billing month, or**

**(2) Next month due 1 to 3 months before billing month, or**

**(3) Next month due 4 to 6 months before billing month with 200 or 201 pending transactions.**

**l. If quarterly mode:**

**(I) Next month due must be the same as billing month, or**

**(2) Next month due must be exactly 3 months before billing month, or**

**(3) Next month due must be exactly 6 months before billing month with 200 or 201 pending transactions.**

**m. If semiannual or annual mode:**

**(l) Next month due must be same as billing month, or**

**(2) Next month due must be exactly 6 months before billing month for semiannual or exactly I2 months before billing month for annual mode with 200 or 201 pending transactions.**



## 1.05 BILLING OF TEMPORARY MASTER RECORDS

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

## 1.06 BILLING CODES IN MASTER RECORDS

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

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

**(2) On other than-monthly accounts, the bill code is a numeric representing the due month for which a notice was last released, provided that premium is still unpaid, or the policy code is a zero to indicate that there is no outstanding premium notice. If the code on an other than monthly account is a number from 01 to 12, the system skips the billing routine entirely. If the code is zero, it establishes a callup date 45 days before the next month due except for foreign accounts. Foreign accounts have a call up date of 2 months.**

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

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

## 1.07 BILLING ON REINSTATED ACCOUNTS

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

## 1.08 CLERICAL BILLING

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

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

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

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

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

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

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

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

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

**[1.09**

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

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

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

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

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

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

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

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

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**2.01 GENERAL**

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

| Transaction Type | Description |
|---|---|
| 200 | Paid as billed |
| 201 | Not paid as billed |
| 202 | Identified by index |
| 203 | Application received |

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

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

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

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

(1) There is a life or policy freeze (other than 500 series).

(2) The payment is not timely (within 61 days of the premium due date).

(3) The insured has more than two policies and the payment is coded 201 (not paid as billed).

(4) The payment is coded 201 (not paid as billed) but the amount does not Logically post.

(5) Payment is coded 202 (indexed item) or 203~(application received).

(6) The how paid code is other than 8 (payroll deduction) or 9 (direct pay). [ ]

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

| Transaction Type | Description |
|---|---|
| 300 | Loan repayment |
| 302 | Lien repayment |

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

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

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

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

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

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

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

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

## 2.03 PROCESSING UN COLLECTABLE REMITTANCES

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

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

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

**UNCOLLECTIBLE CHECK**

Reason
CHECK DATA
**Date**
**F4499a**
**Par.9**

**Amt. _____**

**PMD _____**
**Released**
**READY FOR FILE**

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

| Reason Code | Description |
|---|---|

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



**2.04 PROCESSING NONNEGOTIABLE CHECKS**

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

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

**c. (Deleted.)**

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

*2.05 PROCESSING FOREIGN CHECKS*

**a. Checks drawn in foreign currencies are forwarded to the Treasury Department for collection. The Collections Unit prepares VA Form 29-[367a-2j, Collection and Payroll Deduction Card, except for the amount of the remittance. Input is**

~ *prepared to request* ***an RPO*** *and to enter a freeze diary on the master record. The diary message is* ***"FC"*** *followed by the*

~ postmark date of the payment.

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

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

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

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

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

**(l) Delete the pending diary previously inserted.**

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

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





e. When **the computer** system is to compute how far $X,XXX.XX **will** pay premiums, the computation code is 5 and the computation date is a **FROM** date. **The** amount of payment is entered in blocks 34-39 of VA Form 29-323 or the Withdrawal Amount or Amount of Check Requested field on **VA** Form 29-852l.

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

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

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

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

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

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

A **PAYMENT OF__**WILL PAY PREMIUMS **ON YOUR** POLICY **FROM** THE **NEXT PREMIUM** DUE DATE **SHOWN** TO____~ PROVIDED YOUR PAYMENT **IS MAILED ON OR** BEFORE _____**.

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

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

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





**EXAMPLE VI**

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

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

| INS. PILE NUMBER | POLICY NUMBER | PAYMENT DATE | PAYMENT AMOUNT |
|---|---|---|---|

| PRINCIPAL Balance Before PAYMENT | AMOUNT APPLIED TO PRINCIPAL | PRINCIPAL e after PAYMENT | 7 | 15 | 71 ANNIVERSARY DATE | $20.00 |
|---|---|---|---|---|---|---|

GOVERNMENT LIFE INSURANCE

$1000.00 $1000.00 7 1

INTEREST CREDIT UNPAID INTEREST

PAYMENT RECEIPT

$20.90

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

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

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





**EXAMPLE** VIII

| | | |
|---|---|---|
| **M/R Balance Before Transaction** | **$** | **899.78** |
| **Interest Billed of Record** | **$** | **.00** |
| **Anniversary Date** | | **July** l |

| | |
|---|---|
| **Interest Year** | **71** |
| **Transaction Amount** | **$ 100.00** |
| **Transaction Date** | **July 21,** 1971 |
| **Number of Days LATE** | **20** |
| **M/R Balance After Transaction** | **$ 799.78** |
| **Interest Billed Replaced by Accumulated Interest Amount** | **$ .22** |

*Explanation: Accumulated interest is computed on the entire transaction amount of $1OO since the transaction amount exceeded the amount of interest billed.*

**INS.**

**FILE NUMBER**

**POLIC**

**Y NUMBER**

**PAYM**

**ENT DATE**

**PAYM**

**ENT AMOUNT**

7 21 71 $100.00

| PRINCIPAL BEFORE PAYMENT | TO PRINCIPAL | PRINCIPAL R AFTER P | LOAN OR LIEN | ANNIVERSARY DATE |
|---|---|---|---|---|

GOVERNMENT LIFE Insurance

| INTEREST CREDIT | | PAID INTEREST | | |
|---|---|---|---|---|
| $899.78 | $100.00 | $799.78 | 7 | 1 |

**PAYMENT RECEIPT**

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

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

VA FORM 55.1451, NOV. 1571

**Figure 2.08. Posting of Loan Payment and Interest**



**EXAMPLE 1**

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

Solution:

***l.*** *Monthly premium per $1,000 is $2.43.*

*2. August **l,** 1970, to February I, 1979, inclusive, is 103 months.*

*3. 21"4 percent present value factor for 103 months is 93.84862.*

*4. 93.84862X$2.43=$228.05.*

*5. 2Y4 percent present value factor for 6 months (August 1, 1970, through January 31, 1971, inclusive) currently paid in advance is 5.97228.*

*6. 5.97228 X $2.43 = $14.51.*

*7. $228.05 - $14.51 = $213.54.*

*8. $213.54 X6 = $1,281.24 payment needed.*

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



**EXAMPLE 111**

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

Solution:

*l.* *April **l,** 1970,t9November I, I98l is 139 months.*

*2.* *3 percent present value factor for 139 months is 117.84742.*

*3.* *Monthly premium per $1,000 is $2.12.*

*4.* *117.84742X$2.12=$249.84.*

*5.* *$249.84 X 5 = $1,249.20 payment needed.*

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





## Chapter 3 - Lapse

A. Change: M29-l, Part 11, Chapter 3. This advance manual change outlines **the** new procedures for accepting applications for reinstatement. The comparative health reinstatement period is being restored to six months. Also, VA Form 29-353a, Application For Reinstatement (Nonmedical), will be used to reinstate when the insurance has been lapsed for more than six months but less than one year, regardless of the age of the insured.

**B. Procedure:** **l. Page 3-5, delete subparagraph 3.O7c(l) in its entirety** and substitute the following:

(l) VA Form 29-352, Application For Reinstatement (Medical). This form is used when insurance has been lapsed for more than one year. VA Form 29-352a, Supplemental to Medical Application, will also be enclosed if a payment is required.

**2. Page 3-5, delete subparagraph 3.O7c(3) in its entirety and substitute the following:**

(3) VA Form 29-353a, Application For Reinstatement (Nonmedical). This form is used when the insurance has been lapsed for more than 6 months but less than one year.

**3. Page 3-6, paragraph 3.O7e. Change the number "6" to number ~~l2~~.**

**4. Page 3-6, subparagraph 3.O8a(5). Delete the last sentence, "OTHERWISE, A PHYSICAL EXAMINATION BILL BE REQUIRED."**

**• 2.**

M29-l, Part II
**Advance Manual Change No. 3-88** **March 4, 1988**

C. New or Revised

**Insurance**

**Forms: VA Form 29-352 and VA Form 29-353a (Changes being developed).**

PAUL KOONS
Assitant Director for Insurance

Distribution:

335/29 92
310/290 51
310/291 1
310/292 142
310/295 67
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**TOTAL**

**356**

29OA/O57 RC:slc

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## 3.01 PROCESSING BY THE SYSTEM

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

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

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

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

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

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

(l) There is a life or policy freeze.

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

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

(4) An application for a loan is pending.

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

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

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

(8) An XC diary is on the account.





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

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

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

## 3.03 REVIEW FOR LAPSE ACTION

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

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

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

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

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

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

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

(6) An XC diary is on the account.

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b. Accumulated interest on dividend credit accounts will not be used unless it is needed to complete a

**premium payment because the principal balance is insufficient. Whenever a withdrawal is made to prevent lapse and accumulated interest is needed to complete the necessary premium payment amount, only that amount of accumulated interest needed will be used. Whenever accumulated interest is included in a transaction amount, the**

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

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

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

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

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

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

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

(I) Determine the following:

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

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

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

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

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

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

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

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

a. When an RPO is received showing a Section 724 waiver in force on a permanent plan of insurance on date of lapse, prepare VA Form 29-320, Request for Calculation, and send it to the Actuarial computers to obtain calculation of PIR credits. The computation will be made from the month and year of the last PIR refund to the date

of lapse. After computation is received, apply the entire amount of PIR credit at present value to update the master record, inserting any balance in the premium credit or shortage field.



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

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

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

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

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

3.07 LAPSE ACTION AND FURNISHING REINSTATEMENT REQUIREMENTS

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

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

**c. Where reinstatement requirements are being furnished by MTST, VA Form 9-389b, or dictated letter and a health statement or other medical evidence is required, the appropriate application for reinstatement as indicated below will be enclosed:**

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

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

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

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



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

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

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

`j

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

(5)(Deleted.)

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

**3.09**

REMITTANCE RECEIVED AFTER NOTICE OF LAPSE RELEASED

**a.** When **a** timely premium payment is received after release of a lapse letter, the insured will be advised that the notice of lapse was in error. Whenever the system automatically posts a timely payment or pending transaction

to pay a premium previously shown as the month of lapse, it will release VA Form 29-5885, Information About Your Insurance, with the following message:

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

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

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

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

**3.10**

**FINAL LAPSE** ACTION-TERM INSURANCE

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

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

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





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

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

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

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

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

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

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

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

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

**3.11 ELIGIBILITY PERIOD TO REINSTATE LAPSED TERM POLICIES**

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

**31.2 REQUEST FOR DISCONTINUANCE OF TERM INSURANCE**

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

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

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





**CHAPTER 3. LAPSE**

A. Change: M29-1, Part II, Chapter 3. This advance manual change is issued as a result of an administrative decision to discontinue soliciting the cash surrender of paid-up additions on discontinued term insurance.

3.Procedure: Delete the

last sentence in subparagraph 3.I2d page 3-9

which reads: "In addition, the disposition of the paid-up

addition will be requested."

C. New or Revised:
Insurance Forms: None

P L F. KOONS
Assistant Director for Insurance

DISTRIBUTION:

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| **310/290** | **51** |
| **310/291** | **111** |
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| **C0/311D** | **1** |



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

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

3.13 EXTENDED TERM INSURANCE

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

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

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

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

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

## 3.14 FINAL LAPSE ACTION-PERMANENT PLANS

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

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

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

**(l)** Policy Segment

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

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

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





**amount shown in the pending transaction should be** the amount of pure endowment payable **at the** end of the endowment period. The **dividend year should he the same as** the dividend year for payment of dividends on the extended term insurance. **The year of expiration of the extended term insurance** will be entered in lieu of the insurance effective day. The action type
**should be 26 if notice of maturing endowment has not** been released and the action date should be 2 months before maturity **date. After release of notice of maturing endowment,** the action type should be 6 and the action date should be the **date the pure endowment becomes payable, the day** following the last day in the endowment period. If it **is necessary to change the action type, prepare VA Form 29-5892a or 29-8530, transaction** type 072 (2d-day release).

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

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

(4) Lien Segment

(a) When a premium or overpayment lien exists which can be deducted from the reserve, prepare VA Form 29-5894a or 19-8525, transaction type 086, to add interest to the date of lapse and update the interest year. The same transaction type is used if interest is to be reversed.

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

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

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

(6) Pending Transaction

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



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

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

**(i)** File number.

(2) Policy number.

(3) Date of lapse (month, day and year).

(4) Amount of extended term insurance.

(5) Date extended insurance expires (month, day and year).

(6) Reserve on date of lapse.

(7) Dividends on deposit.

(8) Indebtedness.

(9) Cash value.

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

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

**Use the above paragraph under one of the following conditions:**

(a) Insurance protection ceases on the last day of the endowment period, or

(b) The date of lapse plus 5 years minus l day on a policy in the J series is earlier than the expiration date of extended term insurance minus 5 years.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CHAPTER 3 - LAPSE

A. Change: M29-1, Part II, Chapter 3. This Advance Manual Change is issued in conjunction with Advance Manual Change 5-83 in M29-l, Part I, and provides detailed instructions for proportioning loan amounts when placing on extended insurance a policy with paid-up additions and multiple loan segments.

B. Procedure:

1. Page 3-i, add the following as the last entry in the table of contents:

3.16 Proportioning Loan Amounts When Placing On Extended Insurance 3-13.

2. Page 3-9, delete subparagraph 3-13e in its entirety and insert the following:

e. If a policy with paid-up additions and outstanding indebtedness is placed on extended insurance, the total loan indebtedness at the date of lapse must be divided proportionally between the paid-up additions and the basic policy, so

a that the portion associated with the basic policy can be deducted from the basic policy reserve. (See paragraph 3.16, "Proportioning Loan Amounts When Placing on Extended Insurance.")

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

3. Insert the attached pages, numbered 3-13, 3-114 and 3-15, at the end of Chapter 3.

C. New or Revised Insurance Forms: None

BERT W. CAREY
Assistant Director for Insurance

DISTRIBUTION:

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a

**3' 16 PROPORTIONING LOAN AMOUNTS WHEN PLACING ON EXTENDED INSURANCE**

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

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

**Facts:**

| | | |
|---|---|---|
| **Ordinary Life Policy (V Prefix)** | | **Age at issue: 40** |
| **Effective Date** | | **February 28, 1943** |
| **Date of Lapse (N.M.D.)** | | **September 28, 1982** |
| **Amount of Policy** | | **$7,000** |
| **Paid-up Additions** | | **$1,933** |
| **Loan Anniversary Date** | | **November 14, 1981** |
| **4 Percent Loan (11-14-81)** | | **$2,055.76** |
| **5 Percent Loan (11-14-81)** | | **$2,746~67** |
| **Accumulated Interest on 5%** | **Loan** | **$6.45** |

**Computation of Proportioned Loan Amounts:**

**( 1) Number of days between**
**636**
**date of lapse and** **day number**
**loan anniversary date** **day number**
**31 days**

**( 2) Total indebtedness at date of lapse**

| | | |
|---|---|---|
| **4 percent** | **1.03485 x $2,055.76 :** | **$£`,127.40** |
| **5 percent** | **1.04356 x $2,746.67 + $6.45 :** | **<u>+$2,872.76</u>** |
| | | **$5,000.16** |

**( 3) Duration of policy at date of lapse**

| | |
|---|---|
| **date** | **1982, 9 mos.** |
| **effective date** | **<u>1943, 2 mos.</u>** |
| | **39 yrs. 7 mos.** |

**( 4) Reserve on basic Ordinary Life (OL) on date of lapse**
**(M29-2, Part 111A) $751.18 x 7 :**
**$5,258.26**

**( 5) Attained age of insured at date of lapse**
**Age at issue + duration of policy (Step 3)**
**40 yrs. + 39 yrs. 7 mos. 79 yrs. 7 mos.**

3-13

•1

**( 6) Reserve on paid-up additions (PUA) on date of lapse $1,533.45**
**($1,933 x .79330, from ?129-2, Part II, Table XVI - A)**

**( 7) Total reserve on date of lapse**
**$5,258.26 (Step 4) + $1,533.45 (Step 6) $6,791.71**

**( 8) Proportioned basic policy indebtedness:**
**OL reserve (Step 4)**
**Total reserve (Step 7) x Total indebtedness (Step 2)**
**($5,258.26/$6,79I.7I) x $5,000.16 $3,871.21**

**$3,871.21 from the basic policy reserve must be applied to reduce the loan indebtedness.**

**( 9) Liquidating loan with highest interest rate:**
**Ordinary Life indebtedness (Step 8)**
**5 percent loan with accumulated interest (from Step 2) - 2 872.76**
**Remainder to be applied to the 4 percent indebtedness**

**To obtain the amount of interest paid on the 5 percent loan, subtract the 5 percent indebtedness on the last anniversary date from the 5 percent indebtedness at date of lapse ($2,872.76 - $2,746.67 : $126.09).**

**(10) Proportioning remaining indebtedness:**

| | |
|---|---|
| **Original 4 percent loan at last anniversary date** | **$2,055.76** |
| **4 percent loan repayment (Step 9)** | **$ 998.45** |
| **Indebtedness on PUA (4 percent)** | **$1,057.31** |

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

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

| | | |
|---|---|---|
| **Portion of 4 percent loan paid from OL (Step 9) times** | **$** | **998.45** |
| **4 percent interest factor** | **x** | **.03485** |
| **Accumulated interest on 4 percent loan repayment** | **$** | **34.80** |

**Computation of Extended Insurance:**

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



| | | | |
|---|---|---|---|
| **(14)** | **Net reserve per $1,000 to purchase extended** | | |
| W | **insurance:** | | |
| | **$1,387.05 (Step 12)/3.12879 (from Step 13)** | | **$ ~!I3.32** |
| **(15)** | **Net single premium for 3 yrs. extended insurance** | | **$ 370.88** |
| | **Daily difference between 3 yrs. and ~ yrs. (cost per day)** | | **.2722** |
| | **(?(29-2, Part II, Table** X1) | | |
| **(16)** | **Number of day extension beyond 9-27-85 ($443.32 - $370.88)/.2722** | | **266** |
| **(17)** | **September 27, 1985** | **day number** | **+270** |
| **(18)** | **Last date of extended insurance coverage June 20, 1986** | **day number** | **536** |

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CHAPTER 4. **REINSTATEMENTS NONMEDICAL)**


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

(1) The policy has other indebtedness which was deducted from the reserve at time of lapse.

(2) There was a combination of dividend deposits and a loan, and the account had been placed on extended insurance.

(3) A lien was deducted from the reserve value at time of lapse.

(4) A premium shortage existed at the time of lapse and the account had been placed on extended insurance.

(5) The reinstatement is for a reduced amount.

(6) The month of reinstatement is on or after an action date; i.e., date premium payment ceases on TDIP or limited pay life, or the date of renewal of a term policy.

(7) The reinstatement is for the life portion only and a TDIP segment is on tape.

(8) The reinstatement is for TDIP only.

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

(10) Reinstatement of 5LPT and TDIP; date of lapse on TDIP and life were different or TDIP segment is not on tape.

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

(12) (Deleted by change 6.)

(13) Insufficient money to reinstate both the basic insurance and the TDIP or to reinstate and pay premiums on both to the same next month due.

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

(I) The application will be noted Approved. The name of the clerk and the date will also be entered.

(2) The reinstatement information; e.g., month of lapse and month of reinstatement, will be shown.

**(3) The application for reinstatement and/or the supplemental forms will be stamped Ready for File and sent**

**for filing in the**

**folder. Any forms and/or form letters will be released as indicated.**

**4.03**

**CLERICAL PREPARATION FOR COMPUTER PROCESSING**

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

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

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

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

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

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

**4.04 SYSTEM PROCESSING OF REINSTATEMENTS**

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

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

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

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

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

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

(4) Reverse reserve accounting.

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

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

**e. If an RPO is received with reason code 969 indicating that the system has processed the reinstatement but has not**

**released status, a VA Form 29-5899, Request For Record Print Out, or VA Form 29-8529, coded 9, will be prepared. This input will cause the system to generate a VA Form 29-5885 for release to the insured.**

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

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





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CHAPTER 4. REINSTATEMENTS NONMEDICAL)

**4.01**

**GENERAL**

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

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

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

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

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

(1) Single remittance to pay the cost of reinstatement.

(2) The postmark date of the remittance is within 6 months of date of lapse.

(3) Single policy to be reinstated.

(4) No total disability income provision.

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

**EXAMPLE I:**

**Date of lapse-9-l-69 Mode-Annual**

**Date of reinstatement-11-7-69 .7-69Annual payment submitted**

*Calculation-2 monthly premiums with the balance applied at a PV rate for 10 months which resulted in a shortage of less than l0 percent of a monthly premium. This payment to be applied to cover the number of months intended.*

**EXAMPLE II:**

**Date of lapse-9-l -69 Mode-Annual**

**Date of reinstatement-l-7-70Annual payment submitted**

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



`;1

## 4.02 CLERICAL PROCESSING

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

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

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

**d. Where requirements for automatic processing are not met, the application will be further examined. If supplemental**

**information is needed, VA Form 29-389, Notice of Lapse, will be used to obtain the supplemental information if sufficient time remains in the comparative health period. The callup code will be established as a 503 and the callup date l95 days after the due date of the premium in default. When the supplemental information is requested within 31 days of the end of the comparative health period and 31 days are being allowed the insured to comply with the requirements, a VA Form Letter 29-615 will be used. The 503 callup date will be 31 days from the date of the letter.**

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

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

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

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

**(2) The applicant will be notified of the action taken and furnished new requirements.**

**(3) The diary, if any, will be deleted.**

**(4) If in order, any credits will be refunded.**

**(5) If final lapse action is to be taken by the system, input to insert a 503 policy callup code will be prepared.**

**(6) If final lapse action is to be taken clerically, the procedure in chapter 3 will be followed.**

**(7) Envelopes attached to disapproved applications may be disposed of if untimely mailing is not the reason for disapproval.**

**(8) When it has been determined that an application for reinstatement is not necessary because reinstatement has already been effected, or late money has been applied under VA Regulation 3407.2 or some other adjustment authority, the Policy Service Clerk will dispose of the reinstatement application.**

**(I) Generate VA Form 269-5885 to notify the policyholder of the renewal action.**

**(2) Release renewal notices.**

**(3) Issue premium notices.**

**(4) Authorize the dividend.**

*h. If the reinstatement is submitted after the master record has been purged, clerical action will be taken to reinsert the master record and process the reinstatement.*

**.4.05**

**REINSTATEMENT MANUALLY PROCESSED**

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

*(I) VA Form 29-5893a, Premium* ***Input,*** *or VA Form 29-8523, Premium/TDIP, transaction type 083, to update the premium segment, adjust the accounting controls and lift the policy freeze, if any.*

*(a) If a V or K policy is being reinstated and skip months are involved, enter the number of months not due. The skip month entry is unnecessary when reinstating a nonparticipating term policy.*

*(b) If 2 dividend years are involved, the prior year dividend can be paid by the system. Enter Months Not Due for the prior year only.*

*(c) If two term periods are involved and the dividend for the prior year has not been paid, enter Months Not .Due for the current dividend year, and authorize the prior year's dividend manually.*

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

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

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

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

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

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

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

**Year DIV when the following conditions exist:**

*1. Reinstatement involves 2 dividend years.*

*2. First-year dividend is not paid.*

*3. Missing months for second year dividend must be entered after the first year dividend is paid.*



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

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

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

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

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

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

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

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

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

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

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

(b) If the credit available for reinstatement is not enough to pay all premiums due plus interest and the shortage is more than the 5 cents interest shortage which may be waived, but is not more than l0 percent of a monthly premium, pay interest in full and leave the shortage in the premium control account.

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

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

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



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

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

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

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

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

**4.06 REINSTATEMENT OF TOTAL DISABILITY INCOME PROVISION**

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

**4.07 INFORMAL APPLICATIONS FOR REINSTATEMENT**

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

**b. When an RPO, reason code 209, is received and the above conditions are met, a FL 269-6l 5 will be released to the insured. A period of 31 days will be allowed to complete the supplemental requirements. If an acceptable statement is received, reinstatement will be accomplished as of the date monetary requirements were met. The VA FL 29-615 will be used whether or not a lapse letter has been previously released.**

**c. If, after the FL 29-6l5 has been released, one or more remittances are received, a dictated or MTST letter will be sent**

**informing the insured any remittances received must be held pending until the reinstatement has been completed. Reinstatement by use of the FL 29-6l5 is not, in itself, a bar to subsequent use of the letters.**

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

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

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

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

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

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

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## CHAPTER 5. RENEWAL

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5.06 Renewal of Reduced Amount of Term Insurance at the Older Ages .

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# CHAPTER 5. RENEWAL

## 5.01 GENERAL

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

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

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

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

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

**5.02 AUTOMATIC PROCESSING**

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

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

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

**(3) [USGLI] Accounts**

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

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

**(l) Transaction Type 810. Four months before the actual renewal date, a [VA Form 29-l588, Request for Allotment Deduction Change] is generated by the system and immediately released to the respective Service Department Finance Center. [Simultaneously, a VA Form 29483a, Certificate of Renewal] is [ ] generated and released to the mailing address of record. [The renewal certificate will be overprinted with the legend WE ARE REQUESTING YOUR ALLOTMENT OFFICE TO INCREASE YOUR DEDUCTION TO COVER THE NEW MONTHLY PREMIUM.] In addition, the system inserts into the [ ] master record an' action type 20 with an action date l month subsequent to the actual renewal date. The action type codes are listed and defined in MP-6, part II, supplement No. 1.4, chapter 3. [On multiple policy cases, the renewal certificate will be generated and**



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

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

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

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

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

**(2)** Transaction Type 820. **Upon receipt of the renewal deduction increase or 3 months after the actual renewal date, whichever comes first, the insurance master record is automatically renewed. The system restores the action type l0 and advances the action date to the 5th day of the 2d calendar month preceding the next actual renewal date. If the renewal deduction increase has not been received, a 951 policy freeze with a 60-day callup date is inserted in the insurance master record and an RPO reason code 874 is generated for clerical follow-up action. If the renewal deduction increase is received prior to the 951 policy freeze callup date, the deduction transaction is automatically posted, if in order, or is inserted as a pending transaction. If the renewal deduction increase is not received prior to the 95 l policy freeze callup date, an RPO reason code 951 is generated for clerical action and the callup date is automatically advanced by 30 days.**

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

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

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

**(2)** Transaction Type 820. **[On the] renewal date, the insurance master record is automatically renewed. The** system also restores action type 10 and advances the action date to 4 months prior to the next actual renewal **date.**

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

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

**B.**

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

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

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

**C. New or Revised**

Insurance Forms: None

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Assistant Director for Insurance

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

*[]*

5.03 CLERICAL PROCESSING

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

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

5.04 RELEASE OF CONVERSION INFORMATION OF W TERM INSURANCE

*a. Term policies with W prefixes may not be renewed after the policyholder's 50th birthday. On these term policies, a policy callup code 869 is inserted into the system. This will cause the system to generate an RPO reason code 869 I year before the end of the final term period. Upon receipt of the RPO reason code 869, action is taken to insert a policy callup code 870 into the system. This will cause the system to generate an RPO reason code 870 3 months before the end of the final term period. If the term policy is in force under disability waiver (section 712-how paid 5), the system will generate an RPO reason code 860 I month after the termination date of the final term period.*

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

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

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

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

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

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

**(2) When reason code 860 RPO is receive d, it will be determined whether the insure d was notified of conversion requirements. If he or she had not been notified, a 3l-day letter will be released giving conversion requirements as in subparagraph (l) above. This letter will also include a statement that he or she must convert as of the expiration date of the W term contract, or the contract will automatically be converted to the Ordinary Life plan. If he or she had been notified and did not comply with requirements, the Policy Service Section will take action to automatically convert the contract to the Ordinary Life plan.**

5.05 RELEASE OF INFORMATION ON EXCHANGE OF USGLI TERM INSURANCE

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

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

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

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

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

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

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

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

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

**c.** A letter will be **written informing the insured of the option(s) available. Quote the exact amount(s), rounded to the** next dollar **of term insurance and TDIP, if any, being paid on the expiring term policy will - purchase** at the attained age. Advise **that he or she may continue the amount(s) quoted for the next 5 years at the** old premium rate, but that **subsequent renewals at the older ages will require further reductions if he or she wants** to **continue** to **pay** the **same premium. If TDIP is involved, the insured should be reminded of the date on which TDIP premiums will cease, and, as appropriate, the age after which TDIP premiums do not increase at renewal. The** letter should also include information about regular reduction in multiples of $500 to an amount not less than $1 **,000,** and a **VA** Form 29-339, Application for Reduction, should be enclosed.

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

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

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

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

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

**date. If the** insured **has another active policy being paid direct, any credits will be transferred to that policy unless there is** a **specific request for** refund. [ ]

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

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





Chapter 5 - Dividends

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

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

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

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

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

d. Effective January 1, 1988 the interest earned on dividend credit and deposit accounts on policies prefixed in the "J" series is
9. ~ 9.50 percent per annum. The interest rates for prior years are shown in Exhibit D.

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

**Y** `,`-.~~ ~~5
Assistant Director for Insurance

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

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

/ ,

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

| Period | Percentage Rate |
|---|---|
| Prior to December 19, 1967 | 3 1/2 |
| **December 19, 1967 - December 26, 1971** | **4** |
| **December 27, 1971 - December 31, 1974** | **4 1/4** |

January 1, 1975 -

December 31, 1975 4 1/2

January 1, 1976 -

December 31, 1977 4 3/4

January 1, 1978 -

December 31, 1978 5 1/4

January 1, 1979 -

December 31, 1979 5 3/4

January 1, 1980 -

December 31, 1980 6 3/4

January 1, 1981 December

31, 1981 6 3/4

January 1, 1982 December

31, 1982 7

January 1, 1983 -

December 31, 1983

January 1, 1984 December

31, 1984

, ,

EXHIBIT C. INTEREST RATE CHART
(""RS" AND "W" PREFIXED POLICIES)

| Period | Rate | Percentage |
|---|---|---|
| **January 1, 1979 - December 31, 1979** | **5 3/4** | |
| January 1, 1980 | December 31, 1980 | 6 1/4 |
| January 1,1981 | - December 31, 1981 | 6 1/2 |

| | | | |
|---|---|---|---|
| January 1, 1982 | - | December 31, 1982 | 7 |
| January 1, 1983 | | December 31, 1983 | 7 1/4 |
| January 1, 1984 | | December 31, 1984 | 7 3/4 |
| | - | , 1985 | |

**EXHIBIT D. INTEREST RATE CHART (<u>"`J, JR, JS" PREFIXED POLICIES</u>)**

| Period | Rate | Percentage |
|---|---|---|
| **January 1, 1980** | | **December 31, 1980** |
| | | **7 1/4** |
| **January 1, 1981** | | **- December 31, 1981** |
| | | **7 1/2** |
| **January 1, 1982** | | **- December 31, 1982** |
| | | **8** |
| **January 1, 1983** | | **- December 31, 1983** |
| | | **8 1/2** |
| **January 1, 1984** | | **- December 31, 1984** |
| | | **9** |
| | | **. 1985 9,** |

**1/2**

## CHAPTER 6 - DIVIDENDS

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

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

Dividend

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

Reg. & Spec.

| | |
|---|---|
| 1961 | 1.21381 |
| 1.36878 | |
| 1962 | 1.14935 |
| 1.29980 | |

Reg. & Spec.

**1963** **1.08673**

**1.23280**

**1964** **1.02594**

**1.16776**

**1965** **.96216**

**1.09951**

**1966** **.90041**

**1.03344**

**1967** **.84060**

**.96944**

**1968** **o76980**

**.89369**

**1969** **.70173**

**.82085**

**1970** **.63630**

**.75084**

**1971** **.56960**

**.67947**

**1972** **.50199**

**.60713**

**1973** **.43731**

**.53792**

**1974** **.37542**

**.47170**

**1975** **.31305**

**.40496**

**1976** **.25052**

**.33806**

**1977** **.19097**

**.27434**

**1978** **.12888**

**.20790**

**1979** **.06750**

**.14223**

**1980**

**.07000**

M29-l, Part II
Advance Change No.

C. New or Revised
Insurance Forms: None

BERT **W.** CAREY
Assistant Director For Insurance

DI STRIB'UTION:

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

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

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

| Year | 1980 | 1981 | 1982 | Dividend 1983 | |
|---|---|---|---|---|---|
| 1952 | 1.88852 | | 2.09072 | 2.33025 | 2.59667 |
| 1953 | 1.80439 | | 2.00070 | 2.23325 | 2.49191 |
| 1954 | 1.72271 | | 1.91330 | 2.13908 | 2.39020 |
| 1955 | 1.64340 | | 1.82844 | 2.04765 | 2.29146 |
| 1956 | 1.56641 | | 1.74606 | 1.95888 | 2.19559 |
| 1957 | 1.49165 | | 1.66607 | 1.87270 | 2.10251 |
| 1958 | 1.41909 | | 1.58843 | 1.78903 | 2.01215 |
| 1959 | 1.34863 | | 1.51303 | 1.70779 | 1.92442 |
| 1960 | 1.28021 | | 1.43982 | 1.62893 | 1.83924 |
| | | | | | Reg. & Spec. |
| 1961 | 1.21381 | | 1.36878 | 1.55236 | 1.75654 |
| 1962 | 1.14935 | | 1.29980 | 1.47802 | 1.67626 |
| | | | | | Reg. & Spec. |
| 1963 | 1.08673 | | 1.23280 | 1.40584 | 1.59831 |
| 1964 | 1.02594 | | 1.16776 | 1.33577 | 1.52263 |
| 1965 | .96216 | | 1.09951 | 1.26224 | 1.44322 |
| 1966 | .90041 | | 1.03344 | 1.19104 | 1.36632 |
| 1967 | .84060 | | .96944 | 1.12207 | 1.29183 |
| 1968 | .76980 | | .89369 | 1.04045 | 1.20369 |
| 1969 | .70173 | | .82085 | .96197 | 1.11893 |
| 1970 | .63630 | | .75084 | .88651 | 1.03743 |
| 1971 | .56960 | | .67947 | .80960 | .95437 |
| 1972 | .50199 | | .60713 | .73168 | .87021 |
| 1973 | .43731 | | .53792 | .65711 | .78968 |
| 1974 | .37542 | | .47170 | .58575 | .71261 |
| 1975 | .31305 | | .40496 | .51384 | .63495 |
| 1976 | .25052 | | .33806 | .44175 | .55709 |
| 1977 | .19097 | | .27434 | .37310 | .48295 |
| 1978 | .12888 | | .20790 | .30152 | .40564 |
| 1979 | .06750 | | .14223 | .23075 | .32921 |
| 1980 | | .07000 | .15293 | .24516 | |
| 1981 | | | .07750 | .16370 | |
| 1982 | | | | .08000 | |

**C. New or Revised**

**Insurance Forms: None**

**BERT W. CAREY**

**Assistant Director for Insurance**

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**80**
**310/290**

**55**
**310/291**

**200**
**310/Library**

**1**
**244C**

**10**

M~29-l, Part II
**advance Manual Change No. 2-87** **December 11, 1987**

Chapter 6 - Dividends

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

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

*(l) The 1987 interest rates were as follows:*

**(a) USGLI ("K" prefixed policies) - 7% per annum.**

**(b) NSLI ("V" prefixed policies) - 9.25% per annum.**

**(c) "RS and W" prefixed policies - 9.25% per annum.**

**(d) "J, JR, JS" prefixed policies - 9.75% per annum.**

Change 6.11a (2) to read:

*(2) The 1988 interest rates are as follow:*

**(a) USGLI ("K" prefixed policies) - 7% per annum.**

**(b) NSLI ("V" prefixed policies) - 9.25% per annum.**

**(c) "RS and W" prefixed policies - 9.25% per annum.**

**(d) "J, JR, JS" prefixed policies - 9.75% per annum.**

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

**C. New or Revised <u>Insurance Forms:</u> None**

Assistant Director for Insurance

DISTRIBUTION:

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

M29-l, Part II

**Advanced Manual Change No. 3-87** **December II, 1987**

Chapter 6 - Dividends (NSLI - V)

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

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

| **Dividend** Year |
|---|
| 1984 |
| 1985 |
| 1986 |
| 1987 |
| 1988 |

1952
2.90238
3.25360
3.64705
4.07691
4.54652
1953
2.78872
3.12970
3.51170
3.92903
4.38497
1954
2.67837
3.00942
3.38029
3.78547
4.22813
1955
2.57123
2.89264
3.25271
3.64609
4.07585
1956
2.46722
2.77926
3.12885
3.51077
3.92801
1957
2.36623
2.66919
3.00859
3.37938
3.78448
1958
2.26818
2.56232
2.89183
3.25183
3.64512
1959
2.17299
2.45856
2.77848
3.12799
3.50983
1960
2.08058
2.35783
2.66843
3.00776
3.37847

Regular & Special

1961
1.99085
2.26003
2.56158
2.89103
3.25095
1962
1.90374
2.16507
2.45784
2.77769
3.12713

Regular & Special

1963
1.81916
2.07289
2.35713
2.66766
3.00692
1964
1.73705
1.98339
2.25935
2.56084
2.89022
1965
1.65090
1.88948
2.15676
2.44876
2.76777
1966
1.56746
1.79853
2.05739
2.34020
2.64917
1967
1.48664
1.71044
1.96115
2.23506
2.53430
1968
1.39100
1.60619
1.84726
2.11063
2.39837
1969
1.29904
1.50595
1.73775
1.99099
2.26766
1970
1.21061
1.40957
1.63245
1.87596
2.14198
1971
1.12049
1.31134
1.52514
1.75871
2.01389
1972
1.02918

1.21181
1.41640
1.63991
1.88411
1973
.94180
1.11656
1.31234
1.52623
1.75991
1974
.85818
1.02542
1.21277
1.41745
1.64106
1975
.77392
.93357
1.11243
1.30783
1.52130
1976
.68945
.84150
1.01184
1.19793
1.40124
1977
.60900
.75381
.91603
1.09327
1.28689
1978
.52512
.66238
.81615
.98414
1.16767
1979
.44219
.57199
.71740
.87625
1.04981
1980
.35100
.47259
.60880
.75762
.92020
1981
.26261
.37625
.50355

.64263
.79457
1982
.17180
.27726
.39541
.52448
.66550
1983
.08500
.18265
.29205
.41156
.54213
1984
.09000
.19083
.30098
.42132
1985
.09250
.19356
.30396
1986

.09250
.19356
1987

.09250

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

PAUL F. KOONS
Assistant Director for Insurance

DISTRIBUTION:

| | |
|---|---|
| **335/29** | **92** |
| **310/290** | **51** |
| **310/291** | **1** |
| **310/292** | **142** |
| **310/295** | **67** |
| **310/Library** | **1** |
| **CO/3llD** | **2** |
| **TOTAL** | **356** |

Chapter 6 - Dividends

**A. Change:** **N29-1, Part 11, Chapter 6.**

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

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

(1) The 1986 interest rates were as follows:

(a) USGLI ("K" prefixed policies) - 7% per annum.

(b) NSLI ("v" prefixed policies) - 9.25% per annum.

(c) "RS and W.' prefixed policies - 8.75% per annum.

(d) "J, JR, JS" prefixed policies - 9.75% per annum.

(2) The 1987 interest rates are as follows:

(a) USGLI (~x prefixed policies) - 7% per annum.

(b) NSLI ("V" prefixed policies) - 9.25% per annum.

(c) "RS and W" prefixed policies - 9.25% per annum.

(d) "J, JR, JS" prefixed policies - 9.75% per annum.

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

C. New or Revised

**Insurance Forms: None**

**Assistant Director for Insurance**

**DISTRIBUTION:**

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

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

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

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

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

VA Regional Office and Insurance Center Circular 29-85-1
Philadelphia, PA December 18, 1985

DIVIDEND CONTROL ACCOUNT NUMBERS

**1. ORGANIZATIONAL ELEMENTS AFFECTED:**
**Insurance Operations Div. - VAROIC**

**Finance Division - VAROIC**

**Operations Division - VARDPC**

**Analysis and Control Div. - VARDPC**

**2. REFERENCES: M29-1, Part II, Chapter 24**

3. PURPOSE: To confirm the necessary changes in the Dividend Control Account Numbers due to the payment of the 1986 dividends.

**4. PROCEDURE:**

**a. Effective December 31, 1985, PDN 365/85, the dividend control account numbers will be changed as shown below:**

NSLI

| **GENERAL LEDGER ACCOUNT NUMBER** | | **DIVIDEND CONTROL ACCOUNT NUMBER** |
|---|---|---|
| **4331** | **Special and Regular Annual 1948/1984 (V only)** | **45** |
| **4331.3** | **Special and Regular Annual 1948/1984 - O/P (V only)** | **46** |
| **4531** | **1975/1984 Regular Annual (Except V)** | **45** |
| **~531.3** | **1975/1984 Regular Annual - O/P (Except V)** | **46** |

USGLI

| | | |
|---|---|---|
| **4332** | **Special and Regular Annual 1921/1986** | **45** |
| **4332.3** | **Special and Regular Annual** | **46** |

1921/1986 - O/P

NSLI

4385 1985 v
Regular Annual 47
4385.3 1985 V
Regular Annual - O/P 48
4585 1985
Regular Annual (Except v) 47

| | | |
|---|---|---|
| **4585.3** | **1985 Regular Annual - O/P (Except v)** | **48** |

4386 1986 v
Regular Annual 49
- 4386.3 1986 V
Regular Annual - 0/P 50
4586 1986
Regular Annual (Except v) 49
4586.3 1986 Regular Annual - 0/P 50
(Except v)

| | | |
|---|---|---|
| **4351** | **Dividends - Settlement (All Funds)** | **43** |
| **4351.3** | **Dividends Settlement - O/P (All Funds)** | **44** |

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

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

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

*ROBERT W. CAR `EY*
**Director**

**DISTRIBUTION:**
**A-l**
**D-1**
**E- 1-2-3-5**
**F-1-2-3-6-8-12-15-21-22-26-29-33**
**R-2-5**
**5-1-2**
**T-1**

**W**

PAID UP ADDITION RATES

Ages 61-96

| AGE | AMOUNT |
|---|---|

61
$17.19
62
16.83
63
16.48
64 -
16.15
65
15.83
66
15.53
67
15.24
68
14.97
69
14.71
70
14.46
71
- 14.23
72
14.01
73
13.80
74
13.60
75
13.40
76
13.21
77
13.03
78
12.86
79
12.70
80
12.54
81
12.39
82
12.26
83
12.12
84
12.00
85
11.88
86
11.76
87
11.64
88
11.52

89
11.40
90
11.27
91
11.14
92
10.99
93
10.82
94
10.61
95 -
10.35
96
10.00

**ft**



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## CHAPTER 6. DIVIDENDS

6.01 DIVIDEND RATES

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

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

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

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

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

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

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

6.02 CALCULATION OF DIVIDENDS

a. Policies on a Premium-Paying Basis

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

(a) Plan of insurance;

(b) Effective year of issue;

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

(d) Monthly dividend rate per $l ,000;

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

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

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

b. Reduced Paid-Up Insurance

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

(a) Plan of insurance;

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

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

(d) Amount of paid-up insurance;

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

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

c. Extended Term Insurance Without Pure Endowment

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

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

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

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

(d) Amount of extended term insurance;

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

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

d. Extended Term Insurance With Pure Endowment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**6.03 PROCESSING BY THE SYSTEM**

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

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

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

d. Dividends are disposed of as indicated below:

(l) Cash Option. Transactions are entered on a disbursement tape unless the master record indicates that the insured is incompetent and no guardian has been appointed or that mail has been returned as undeliverable. When only the incompetency bit is on, the dividend is made pending. An RPO, reason code 605, is generated. When the return mail bit is on, the system establishes the dividend as a liability and generates an RPO, reason code 616.

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

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



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

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

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

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

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

**6.04 UPDATING PAID DIVIDEND INFORMATION**

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

**(I) Update the dividend year in the next dividend due field.**

(2) Delete information previously recorded in **the prior paid dividend information** field.

(3) Transfer information **in** the **current paid dividend** information field to **the prior paid dividend information** field.

**(4) Record the current transaction in the current paid dividend information field.**

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

(I) The **year** for which **the** next **dividend is due in the dividend** information field.

**(2) The year for which the last dividend was authorized in the current paid dividend information field.**





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

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

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



recorded in the prior paid dividend information field, transfer information in the current paid dividend information field to the prior paid dividend information field, and record the current transaction in the current paid dividend information field. This may create the situation where there is a skip year in the paid dividend information; such as, the next dividend due is shown as 1971, the current paid dividend information is for 1970, and the prior paid dividend information is for 1968.

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

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

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

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

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

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

**(2) Where only the prior paid dividend information field is blank, the system will record the transaction in**
**-thatfieldprovidedthedividendyearislyearlowerthanthedividendyearinthecurrentpaiddividendfield.lt**
will also update the transaction date and history fields in the current paid dividend information field.

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

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

## 6.05 AUTHORIZING DIVIDENDS CLERICALLY

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

**b.** **VA Form 29-394 or 29-8528 is used to manually authorize a dividend, insert a pending dividend transaction for immediate payment or for payment at a future date, or reverse all or part of a prior paid dividend. These input documents must be sent to the Voucher Audit Unit for assignment of a T batch number. Transaction type 646 is excluded from the T batch number control.**

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

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

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

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

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

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

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

## 6.06 INDEBTEDNESS OFFSET

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

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

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

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

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

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

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

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

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

**6.07 INVALID OR MISSING DATA**

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

**6.08 ERRONEOUS DIVIDEND INFORMATION**

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

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

**b. Daunting the dividend year will cause the system to process the dividend due the year immediately preceding the current year's dividend. However, daunting is restricted to those cases in which the dividend year has been erroneously updated and requires a VA Form 29-5892a or 29-8522, together with a memorandum stating the reason for daunting. The input and memorandum will be sent to the Voucher Audit activity for review.**

**6.09 DIVIDENDS ON LAPSED ACCOUNTS**

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

(1)

How Paid 1

Option

Single Policy Cases

Multiple Policy Cases

**Premium**

**Pay as cash**

**Pending disbursement, 970 callup**

**Credit**

**Pay as cash**

**Pending disbursement, 970 callup**

**Deposit**

**Pay as cash**

**Pay as cash. Edit not made for other**

**policies.**

**(2) How Paid 4**
**Option** **Single Policy Cases**
**Multiple Policy Cases**
**Premium** **Pay as cash**
**Authorize as PL 36**
**Credit** **Pay as cash**
**Authorize as PL 36**
**Deposit** **Pay as cashPay**
**as cash. Edit not made for other**
**policies.**

b. On term policies, the number of months for which a dividend **is** not due **is** inserted in the master record (effective August 24, 1966).

c. The dividend option on a lapsed account **is** not changed **by** the system, and clerical action should not be taken to change the option without a valid request. An RPO will be generated if the number of months for which a dividend is due if final lapse time exceeds 11. In such cases, examine the dividend year and dividend months not paid to determine the actual error condition. If it is necessary to adjust the number of months not paid for dividend purposes, prepare VA Form 29-5892a or 29-8522, transaction type 082. If the dividend condition is correct, take final lapse action clerically.

**d.** When a dividend on a how paid 1 account is authorized as a pending disbursement because there are other policies, the following action will be taken:

(I) Transfer the amount to an active account as a dividend credit if the dividend option is credit and release VA Form 29-4459.

(2) Refund any amount due after deducting an indebtedness eligible for setoff by the payment of dividend if the dividend option is premium.

e. When a dividend on **a** how paid **4** account is authorized as dividend credit because there are other policies, retain the credit as long as dividends are payable. If the policy matures or is surrendered for cash, the credit will be included in any amount payable. When the extended term insurance expires, transfer the credit to any other active account of the insured's as dividend credit or refund it if there are no policies in force.

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

## 6.10 DIVIDEND ACTIONS INVOLVING INCOMPETENT INSUREDS

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

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

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

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

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

Chapter 6 - Dividends

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

B. Procedure: Page 6-8, delete subparagraphs 6.l0b(2) and 6.IOc in their entirety and insert the following:

(2) When the amount of refund is $350 or more, examine the insurance folder to determine if a current certificate of guardianship (within six months) is of record. If not, obtain a MINQ printout from the VDT. If the printout does not provide the necessary information, prepare and release a VA Form 29-505 to the Veterans Services Officer **of** the appropriate Regional Office. A **VA** Form 29-5895a or 29-8526 will be prepared to insert a 90-day diary with the message 505, if necessary. If a current certification is of record, or is received, initiate an off-tape refund.

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

C. New or Revised

**Insurance**

**Forms: None**

**ROBERT W. CAREY**
**Assistant Director for Insurance**

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

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

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

(1) The 1982 interest rates were as follows:

(a) USGLI ("K" prefixed policies) - 7% per annum.

(b) NSLI (?vvv? prefixed policies) 7 3/4% per annum.

(c) "RS and a W'? prefixed policies 7% per annum.

(d) "J, JR, JS" prefixed policies - 8% per annum.

(2) The 1983 interest rates are as follows:

(a). USGLI ([1],K" prefixed policies) - 7% per annum.

(b) NSLI *(V'* prefixed policies) - 8% per annum.

(c) "RS and W" prefixed policies - 7 1/4% per annum.

(d) "J, JR, JS" prefixed policies - 8 1/2% per annum.

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

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

ROBERT W. CAREY
Assistant Director for In Insurance

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**M29-1, Part II**

**Advance Manual Change No. 12n4** **November 1, 1984**

**Chapter 6 - Dividends**

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

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

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

**(I)** The 1984 interest rates were as follows:

| | | | |
|---|---|---|---|
| **(a)** | **USGLI ("K" prefixed policies)** | **- 7% per annum.** | |
| **(b)** | **NSLI ("V` prefixed policies)** | **- 8.50%** | **per annum.** |
| **(c)** | **"RS and W" prefixed policies** | **- 7.75%** | **per annum.** |
| **(d)** | **"J, JR, JS" prefixed policies** | **- 9.00%** | **per annum.** |

a

(2) The 1985 interest rates are as follows:

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

**NOTE: The daily interest factors for the above policies effective January I, 1985 are in figures 6.13, 6~t~,** ~L, ~~~**£` ?,•~,**
*4"~ ~"~, `- `,~*

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

Robert W. CAREY

Assistant Director for Insurance

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M29-1, Part II
Advance Manual Change No. 7-85 November 15, 1985

Chapter 6-Dividends

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

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

a. The system will generate an ~1P0 for clerical action if it encounters a condition which prevents it from calculating interest. When withdrawals are made from dividend credit or deposit accounts clerically for payment to the insured, it will be necessary to clerically calculate interest on the amount withdrawn from the prior policy anniversary date to the date the withdrawal is processed. The postmark date will be the transaction date on withdrawals for payment of premiums or loan/lien indebtedness. When computing interest for less than a full policy year, daily interest factors based on the annual interest rate will be used.

(l) The 1985 interest rates were as follows:

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

a

W

(2) The 1986 interest rates are as follows:

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

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

C. New or Revised
Insurance Forms: None

F. KO N
Assistant Director for Insurance

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d. The Veterans Services **Officer will furnish** the forwarding office a certification of a fiduciary, if appropriate; otherwise, his or her recommendation that appointment of a fiduciary is not in order. Upon receipt of **the** Veterans Services Officer's
4 certification or report, appropriate award action will be taken. If authority is not granted, action will be taken to delete the pending disbursement and establish a liabffity record.

e. An **RPO,** reason code 471, will be generated and a request for withdrawal from a dividend credit or deposit balance will be rejected if the insured is incompetent. **If** the request is from a legal guardian or the request is a valid one, prepare VA Form 29-5894a or 29-8525 to adjust the dividend credit or deposit balance and VA **Form 4-706 to** initiate an off-tape refund.

**6.11 ACTTIONS INVOLVING INTEREST CALCULATION AND ADJUSTMENTS**

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

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

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

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

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

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

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

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

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

| | |
|---|---|
| **Day** No. of Transaction | +xxx |
| Day No. -1 of Policy Anniversary Date | -XXX |
| (plus) + or (minus) - | XXX Elapsed Days |

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

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

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





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

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

**Example A:**

FV 9876543 V 9876543
**Requested** Withdrawal (Transaction Amount) $37.65
Postmark Date of Request

(Transaction DateMarch 1 I, 1970

| | | |
|---|---|---|
| Dividend Credit-Policy Anniversary Date | | October 17 |
| Dividend Credit Interest Year | 69 | |
| Dividend Credit Balance | $87.24 | |
| Present Amount of Accumulated Interest | | $ 0.00 |

**Answer:**

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

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

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

Day No. of Transaction Date 70
Plus 365

Augmented DN 435

Transaction Date (Augmented DN) 435
Policy Ann. Date (DN)
Elapsed **Days** **146**
Interest Factor for 146 Elapsed Days is 0160
$37.65 (Transaction Amount X .0160 (Elapsed Days Interest Factor)) is .602. This amount will be rounded **by** adding 1 cent to the result if the figure in the third place after the decimal is 5 or higher.

$87.24 Dividend Balance $0.00 Old Accumulated Interest
37.65 Withdrawal Amount 0.60 New Accumulated Interest

$49.59 New Balance $0.60 Total Accumulated Interest

**6-10**

**January 15,1971** **M29-1, Part II**

**Example B:**

Facts: Addition of Annual Interest

FV 9876543 V 9876543

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

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

| | |
|---|---|
| $49.59 | $1.983 |
| x .04 | +0.60 |
| $1.9836 | $2.583 This amount will be rounded. |

$49.59 Old Balance
+2.58 Interest

$52.17 New Balance

$0.00 New Accumulated Interest

**Example C:**

Facts: Request for Withdrawal by Insured Resulting in Interest Reversal

| | |
|---|---|
| Request Withdrawal (Transaction Amount) | $25.00 |
| Postmark Date of Request (Transaction Date) | 12-28-69 |
| Dividend Credit-Policy Anniversary Date | January 3 |
| Dividend Credit Interest Year | 70 |
| Dividend Credit Balance | $94.17 |
| Present Amount of Accumulated Interest | $ 0.00 |

**Answer:**

Transaction Date, December 28, is DN 362

Policy Anniversary Date January 3-I is 002

Policy Anniversary Year (70) is later than Transaction Year (69)
Policy Anniversary Year Day Number 002 plus 365 is 367

| | |
|---|---|
| DN of Transaction Date | 362 |
| Augmented Policy Anniversary DN | 367 |
| | .5 Elapsed Days for Interest Adjustment (Reversal) |





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

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

| | |
|---|---|
| $25.00 Amount of Withdrawal | $94.17 Old Balance |
| +.01 Interest Adjustment | -25.01 Withdrawal Total |

$25.01 Total **Withdrawal** $69.16 New Balance

*b*

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

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

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

616 **month number** for policy effective **date**
615 month **number for interest** through date

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

**(b)** **If the interest** through date is later than the new policy effective date, the difference **between** the 2 dates representsthenumberofmonthsforwhichinterestshouldbereversed;e.g., .

616 month **number** for interest through date
615 **month number** for policy effective date

1 **month** for **which interest must be reversed.**

(2) To compute the amount of interest:

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

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

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

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

Columns
Interest Addition or

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

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

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

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

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

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

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

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

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

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

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





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

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

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

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

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

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

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

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

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

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





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

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

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

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

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

(7) When .premiums are being paid by allotment from service or retired pay (how paid 6) or by deduction from VA benefits (how paid 3) and the insured requests withdrawal to be applied to pay premiums, a VA Form 295895a will be prepared to insert a 60-day diary with the message, DIVCR PAY PREM, and to freeze the record. Action will be taken to discontinue the allotment or deduction and to advise the insured of the action taken and of the status of the insurance account. If the insured requests withdrawal of part of the dividend credit or deposit to pay premiums and part to be refunded, a VA Form 29-8521 (Doc 0l) will be prepared to refund the requested amount and a VA Form 29-5895a prepared for second-day release to insert the 60-day diary with the message, DIVCR PAY PREM, and to freeze the record. Action will be taken to discontinue the allotment or deduction and to advise the insured of the action taken and the status of the insurance account. The insured's request, in either case, will be noted as to the action taken and filed in the insurance folder with a copy of our letter to the insured. When an RPO is received showing that the allotment or deduction has been discontinued, the original request of the insured will be examined and action taken to complete the request.

~ h. When a requested full withdrawal for cash or premium (including cash withdrawal amount that liquidates the balance)

~ is made for a dividend credit or deposit account, the total amount of accumulated interest will be included in the withdrawal transaction amount. Total amount of accumulated interest includes accumulated interest prior to this transaction plus the amount given on the withdrawal amount that liquidated the principal balance.

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

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

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

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

## 6.13 DISPOSITION OF DIVIDEND CREDIT/DEPOSIT BALANCES

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



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

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

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

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

## 6.14 DISPOSITION OF DIVIDENDS UNDER THE PREMIUM OPTION

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

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

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

## 6.15 DIVIDENDS WHEN AUTOMATIC SURRENDER IS PENDING

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

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

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

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

## 6.16 INQUIRIES CONCERNING CHECK INFORMATION ON DIVIDENDS

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

**A. Change:** **M29-1, Part 11, Chapter 6. This Advance Manual Change, in conjunction with Advance Manual Change 9-83 in M29-1, Part I, establishes a uniform procedure for processing Reason Code 276 RPO's, generated when a dividend authorized under the premium option exceeds the amount needed to pay a "W" term contract to the end of the protection period.**

**B. Procedure: Page 6-16, paragraph 6:14, add the following as subparagraph d:**

**d. When the dividend authorized on a "W" term policy is sufficient to pay beyond the end of the final term period, the dividend is made pending and a Reason Code 276 RPO is generated. Apply the dividend to pay premiums to the end of the protection period and refund the balance. Change the dividend option to cash and release a dictated letter notifying the insured of action taken.**

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

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

**DISTRIBUTION:**

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



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

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

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

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

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



R • **6.17 PAID DIVIDEND INFORMATION**

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

(I) VA Form 94863, Paid Dividend Card, interpreted to show service number, check number, dividend amount, name of insured, district office code, file number prefix, and file number. A transfer posting impression of the address to which the check was sent appears on the face of the card. The 1948 paid dividend legend and the date paid are endorsed on the reverse of the card.

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

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

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

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

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

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

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

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

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

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

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

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



**(14) File copies of SF 1048, Public Voucher for Refunds, initiated by field stations of the Department of Veterans Benefits. These vouchers cover refunds to insured or to the NSLI Fund, where collections made from 1948 dividends exceeded the total indebtedness or where erroneously made for other reasons, or where**

**indebtedness was liquidated or reduced after the original report was submitted. A statement identifying the transaction as one involving a 1948 dividend is shown in the Remarks portion of the voucher.**

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) Voucher numbers in the 204,000 series (1961 accelerated dividends on certain policies).

(2) Voucher numbers in the 20-6,000 series (1961 special dividends on certain policies).

(3) Voucher numbers 20-2,000, 20-2,001 and 20-2,002 (1961 special dividends on certain W policies).

(4) Voucher numbers ending in the letter d (beginning with day number 005, January 5, 1962).

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

## 6.18 PREPARING FL ~162 or ~l63

a. Insert name, address and identifying information on the appropriate form.

b. If the check number and date of check are not known, the form will be completed as outlined below:

**(l) Check or Schedule No.(s)**

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

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

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

*NOTE: **Prior to** November **9,** 1966, **on** NSLI; December], ]966, **on** VSDI; and January 3, 1967, **on** USGLI; tape disbursement items were filed in file number sequence. On and after those dates and through August 1, 1971, the disbursement tape records were separated into Three groups: Foreign addresses, domestic addresses without ZIP codes, and domestic addresses with ZIP codes. Within the foreign address and no ZIP code groups, the records are in file number order. Within the ZIP code group, the records are filed in ZIP code order and file number order within each ZIP code group. On and after August 2, 1971, the disbursement tape records were separated as follows: (1) All addresses without ZIP codes in file number sequence (includes domestic addresses without ZIP codes, foreign addresses with no consular code and FC999 cases); (2) foreign addresses with consular (country) codes in country code sequence and within country code in account number sequence, and (3) domestic addresses with ZIP codes in ZIP code sequence and within ZIP code in account number sequence. The Treasury Department microfilms the checks in the sequence as they' appear on the disbursement tapes.*

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

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

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



(5) **Symbol:** Enter appropriate symbol

| **Period** | **Symbol** |
|---|---|
| [Off-Tape or manual payments (February 1, 1975 Current Date | 30] |
| Ml off-tape or manual payments [(prior to February l, 1975)] | 3030 |
| January 1963-February 1964 | 3031 |
| March 1964-February 1966 | 3034 |
| March 1966-January 1968 | 3036 |
| February 1968-December 30, 1969 | 3038 |
| December 31, 1969-April 18,1971 | 3041 |
| April 19, 1971 September 30, 1971 | 3039 |
| October 1,1971-September 18, 1972 | 3043 |
| September 19,1972 [August 31,19731 | 3045 |
| [September 1, 1973-July 1, 1974 | 3047 |
| July 2, 1974-May 19, 1975 | 3048 |
| May 20, 1975-Current Date | 3050] |

**PHILADELPHIA VA CENTER EXHIBIT** A

| Dividend Year | Day No. | Year | Date of Issue |
|---|---|---|---|
| 1963 | 356 | 2 | 1-2-63 |
| | 357 | 2 | 1-2-63 |
| | **005** | 3 | 1-11-63 |
| 1964 | 355 | 3 | 1-2-64 |
| | 362 | 3 | 1-6-64 |
| | 004 | 4 | 1-10-64 |
| 1965 | 347 | 4 | 1-2-65 |
| | 354 | 4 | 1-2-65 |
| | 361 | 4 | 1-2-65 |
| 1967 | 035 | 7 | 2-10-67 |
| | 049 | 7 | 3-3-67 |
| | 063 | 7 | 3-10-67 |
| | 070 | 7 | 3-17-67 |
| | 077 | 7 | 3-24-67 |

1972

| | | | | |
|---|---|---|---|---|
| February-June | 050 | 2 | 2-24-72 | |
| July-September | 070 | 2 | 3-16-72 | |
| October-December | | 077 | 2 | 3-23-72 |



ST. **PAUL VA CENTER** **EXHIBIT B**

| Dividend Year | Day No. | Year | Date of Issue |
|---|---|---|---|
| 1964 | 355 | 3 | 1-2-64 |
| | 362 | 3 | 1-6-64 |
| | 025 | 4 | 1-27-64 |
| 1965 | 347 | 4 | 1-2-65 |
| | 354 | 4 | 1-2-65 |
| | 361 | 4 | 1-2-65 |
| 1967 | | | |
| February-May | 042 | 7 | 2-17-67 |
| June-September | 056 | 7 | 3-3~7 |
| October-December | 077 | 7 | 3-24-67 |
| 1972 | | | |
| February-July | | | |
| August-December | | | |

## 6.19 PAID DIVIDEND INFORMATION FOR TAX PURPOSES

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

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

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

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

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





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

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

b. VA Form 29-323, Disbursements, or VA Form 29-8521, Disbursements, is prepared by the Policy Service Clerk as input into the computer system. If a full withdrawal of dividend credit/deposit is to be made, code 5 will be entered in the DISPOSITION CODE block of VA Form 29-323 or in the DISP. CODE block of VA Form 29-8521.If a partial withdrawal is to be made, code 6 is entered. When code 6 is used, clerical entries are required in the AMOUNT OF CHECK REQUESTED field of VA Form 29-323 or in the WITHDRAWAL AMOUNT OR AMOUNT OF CHECK REQUESTED field of VA Form 29-8521 to conform to the insured's request. One of the following transaction types is entered on the form:

(1) 406-Dividend credit withdrawal to pay premiums.
(2) 407-Dividend deposit withdrawal to pay premiums.
(3) 428-Dividend credit withdrawal to reduce loan.
(4) 429-Dividend deposit withdrawal to reduce loan.

c. When a full withdrawal (code 5) is made to pay premiums and there is a remaining credit, it will be inserted in the premium credit/shortage field of the master record unless the policy is paid through the end of the premium paying period, in which case the credit will be automatically refunded.

d. When a full withdrawal (code 5) is made to reduce a loan and there is more than sufficient credit to liquidate the loan, the remaining credit will be retained in the dividend credit/deposit segment. (The system ____ makes a partial withdrawal of the dividend credit or deposit.)

e. When partial withdrawals (code 6) are made, remaining balances are retained in the dividend credit/deposit segment.

f. The computer system will delete the pending transaction coded 2, lift the freeze and combine the remittance with the dividend credit/deposit to pay premiums or loan. Overages or shortages will be included only when the transaction is coded for premiums.

g. When the dividend credit/deposit and the remittance are used to pay premiums, a VA Form 29-4459, Dividend Deposit/Credit Statement, is released by the computer system.

h. When the dividend credit/deposit and the remittance are used to reduce loan indebtedness, VA Form 29-4459 and VA Form 29-1461 are released.

**i.** When any of the following conditions are on the master record, the computer system will not process the case automatically:

(1) Lien on the account or on another account of the insured.

(2) Three or more policy cases.

(3) The insured has both dividend credit and deposit balances and withdrawal would be required from both balances.

(4) Account is frozen for reasons other than the pending remittance coded 2.





(5) Postmark date on transaction type 4)0( does not match postmark date of pending remittance or there is no pending remittance.

j. When the conditions listed in subparagraph i above exist, or in other instances when the computer system cannot take the requested action, an RPO with an appropriate reason code based on the condition on the master record that prevents computer system processing, will be generated for clerical action.

k. If the interest year in the dividend credit/deposit segment is later than the postmark date of the remittance, the case must be processed clerically.

## 6.21 U.S. GOVERNMENT LIFE INSURANCE POLICY WITH LOAN AND STATUTORY LIEN

a. When a dividend is payable under the LOLl option on a USGLI policy and there is a loan and a statutory (off tape) lien on the contract, the computer will not process the dividend. Instead, an RPO, reason code 695, is generated for clerical action and the master record frozen with a 970 policy freeze.

b. Upon receipt of the RPO, the folder will be obtained to verify that it contains an authorization from the insured or legal representative to use the dividend to offset the statutory lien.

*NOTE In* cases when the total indebtedness (statutory lien and loan) exceeds the reserve and, for this reason, the option was changed to *LOLl* without a written request from the insured, the statutory lien will be reduced by the dividend.

c. A VA Form 29-l 610, Transfer Worksheet, will be prepared to reduce the statutory lien by the amount of the pending dividend. The VA Form 29-1696, Lien Record Card, must be appropriately noted.

d. After the offset action is completed, action will be taken to lift the 970 policy freeze.

6.22 ADJUSTMENT OF NSLI DIVIDENDS UPON REINSTATEMENT

a. When a [participating] policy [(other than RS or W authorized for 12 months in the amount of $1.20)] on extended insurance is reinstated, the following actions will be taken to determine if a dividend adjustment is in order:

(l) Compute the amount of regular annual dividends payable on the reinstated policy from the date of lapse to the date of reinstatement.

(2) Determine the amount of dividends paid on the extended insurance.

b. If the amount computed in subparagraph (l) above exceeds the amount determined in subparagraph (2) above, the difference will be paid in cash to the insured or, at his [or her] request, applied to reduce the cost of reinstatement.

c. If the amount determined in subparagraph (2) above exceeds the amount computed in subparagraph (l)

above, the dividends will not be adjusted.

6.23 PAID-UP ADDITIONS-MAXIMUM AMOUNT EDIT

a. The computer system provides a maximum amount edit for paid-up additions. The edit will consider a paid-up addition as failing to meet the test when the amount is greater than 85 percent of the insurance amount. This amount will increase by 5 percent (not to exceed $9,999) at 2-year intervals. The paid-up addition will be established and a nonfreeze RPO will be generated with the legend PDUPMX.





b. The Policy Service Clerk, upon receipt of the RPO, will request a history lookup.

c. Upon receipt of the history lookup, it will be sent with the RPO to the Actuarial Clerk for calculation of **the** paid-up additions.

d. Upon receipt of the calculation by the Actuarial Clerk, the history lookup and the RPO, the Policy Service Clerk will note the RPO as to the action taken, if any, and stamp the RPO *DO NOT REMOVE FROM FOLDER.* The history lookup and the RPO will be filed in the folder for future reference.

**6.24 INQUIRIES ON PAYMENT OF DIVIDENDS**

a. Generally, incoming inquiries concerning paid dividend information are received in the Policy Service Section with a current RPO.

b. The Policy Service Clerk will review the RPO for acceptability and processing the dividend information within the system. The dividend information will not be processed by the system if any of the following conditions exist:

(l) Prior year dividend not authorized.

(2) Current year dividend not authorized and anniversary date has passed.

(3) The policy prefix is other than l, 2, 5 or 6.

(4) The how paid code is l or 7.

(5) The dividend years in the dividend paid segment are not in sequence or one is blank.

c. If the inquiry involves the payment of dividend only and the status on the RPO indicates that the dividend w',', information can be released by the system, the appropriate input document, transaction type 980, status code 4, will be prepared. This transaction will cause the system to generate a VA Form 29-5885 with the following message:

THIS IS IN RESPONSE TO YOUR RECENT DIVIDEND INQUIRY. THE _____DIVIDEND ON GOVERNMENT LIFE INSURANCE IS BEING PAID ON THE POLICY ANNIVERSARY DATE.

YOUR LAST YEAR'S DIVIDEND FOR THE POLICY IDENTIFIED ABOVE WAS PAID IN _____
THE DIVIDEND FOR THIS YEAR WILL BE PAID_____

d. On multiple policy cases, the dividend information will be released by the system on the contract(s) for which the input document(s) was prepared provided that the policy specified is not under one of the conditions **set** forth in subparagraph b above.

e. When the system is unable to release the dividend information for a particular contract, an RPO reason code 980 showing the last three digits of the policy number will be generated. The legend OLDIV will also be printed in the lower right corner of the reason code area. On multiple policy cases, the system will generate an RPO for all the contracts the insured has in force with the foregoing legend shown for each policy on which the system did not release the dividend information. This applies to all multiple cases regardless of whether the insured has all participating accounts or has both participating and nonparticipating accounts in force.

f. If the dividend inquiry cannot be answered by the system or the request for information is for more than an inquiry concerning the dividend payment, the Policy Service Clerk will take the appropriate action, as necessary, so that the insured's request for information will be completely satisfied.]





A. Change: M29-1, Part **11,** Chapter 6.
B. Procedure: Add the following interest year factor to Figure 6.01, Page 6-22c:

| Year | 1983 | Dividend 1984 | 1985 | 1986 | 1987 |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| 1952 | 2.59667 | 2.90238 | 3.25360 | 3.64705 | 4.10014 |
| 1953 | 2.49191 | 2.78872 | 3.12970 | 3.51170 | 3.95159 |
| 1954 | 2.39020 | 2.67837 | 3.00942 | 3.38029 | 3.80737 |
| 1955 | 2.29146 | 2.57123 | 2.89264 | 3.25271 | 3.66735 |
| 1956 | 2.19559 | 2.46722 | 2.77926 | 3.12885 | 3.53141 |
| 1957 | 2.10251 | 2.36623 | 2.66919 | 3.00859 | 3.39943 |
| 1958 | 2.01215 | 2.26818 | 2.56232 | 2.89183 | 3.27129 |
| 1959 | 1.92442 | 2.17299 | 2.45856 | 2.77848 | 3.14688 |
| 1960 | 1.83924 | 2.08058 | 2.35783 | 2.66843 | 3.02610 |
| | | Regular & Special | | | |
| 1961 | 1.75654 | 1.99085 | 2.26003 | 2.56158 | 2.90883 |
| 1962 | 1.67626 | 1.90374 | 2.16507 | 2.45784 | 2.79498 |
| | | Regular & Special | | | |
| 1963 | 1.59831 | 1.81916 | 2.07289 | 2.35713 | 2.68445 |
| 1964 | 1.52263 | 1.73705 | 1.98339 | 2.25935 | 2.57714 |
| 1965 | 1.44322 | 1.65090 | 1.88948 | 2.15676 | 2.46454 |
| 1966 | 1.36632 | 1.56746 | 1.79853 | 2.05739 | 2.35549 |
| 1967 | 1.29183 | 1.48664 | 1.71044 | 1.96115 | 2.24987 |
| 1968 | 1.20369 | 1.39100 | 1.60619 | 1.84726 | 2.12487 |
| 1969 | 1.11893 | 1.29904 | 1.50595 | 1.73775 | 2.00468 |
| 1970 | 1.03743 | 1.21061 | 1.40957 | 1.63245 | 1.88912 |
| 1971 | .95437 | 1.12049 | 1.31134 | 1.52514 | 1.77134 |
| 197.2 | .87021 | 1.02918 | 1.21181 | 1.41640 | 1.65200 |
| 1973 | .78968 | .94180 | 1.11656 | 1.31234 | 1.53780 |
| 1974 | .71261 | .85818 | 1.02542 | 1.21277 | 1.42851 |
| 1975 | .63495 | .77392 | .93357 | 1.11243 | 1.31839 |
| 1976 | .55709 | .68945 | .84150 | 1.01184 | 1.20799 |
| 1977 | .48295 | .60900 | .75381 | .91603 | 1.10285 |
| 1978 | .40564 | .52512 | .66238 | .81615 | O.99322 |
| 1979 | .32921 | .44219 | .57199 | .71740 | 0.88484 |
| 1980 | .24516 | .35100 | .47259 | .60880 | 0.76566 |
| 1981 | .16370 | .26261 | .37625 | .50355 | 0.65015 |
| 1982 | .08000 | .17180 | .27726 | .39541 | 0.53146 |
| 1983 | | .08500 | .18265 | .29205 | 0.41802 |
| 1984 | | | .09000 | .19083 | 0.30693 |
| 1985 | | | | .092 50 | 0.19902 |
| 1986 | | | | | 0.09750 |

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• 2.

M29-1, Part II
Advance Manual Change No. 4-86

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

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Assistant Director for Insurance

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M29-1, cart Ii
Advance Manual Change No. 8-85 November 15, 1985

**Chapter 6 - Dividends**

**A.** **Change:** **M29-1, Part 11, Chapter 6.**

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

| **Dividend Year** | 1982 | **1983** | **1984** | 1985 | 1986 |
|---|---|---|---|---|---|
| 1952 | **2.33025** | 2.5966'7 | **2.90238** | **3.25360** | 3.64705 |
| -1953 | 2.23325 | 2.49191 | 2.78872 | 3.12970 | 3.51170 |
| 1954 | 2.13908 | 2.39020 | 2.67837 | 3.00942 | **3.38029** |
| 1955 | 2.04765 | 2.29146 | 2.57123 | 2.89264 | 3.25271 |
| 1956 | 1.95888 | 2.19559 | 2.46722 | 2.77926 | **3.12885** |
| 1957 | 1.87270 | 2.10251 | 2.36623 | 2.66919 | 3.00859 |
| 1958 | 1.78903 | 2.01215 | 2.26818 | 2.56232 | 2.89183 |
| 1959 | 1.70779 | 1.92442 | 2.17299 | 2.45856 | 2.77848 |
| **1960** | **1.62893** | 1.83924 | **2.08058** | **2.35783** | **2.66843** |
| Regular | & Special | | | | |
| 1961 | 1.55236 | 1.75654 | 1.99085 | 2.26003 | 2.56158 |
| 1962 | 1.47802 | **1.67626** | **1.90374** | 2.16507 | 2.45784 |

| | | | | | |
|---|---|---|---|---|---|
| **Regular &** | **Special** | | | | |
| **1963** | **1.40584** | 1.59831 | 1.81916 | 2.07289 | **2.35713** |
| 1964 | 1.33577 | 1.52263 | 1.73705' | 1.98339 | 2.25935 |
| 1965 | 1.26224 | 1.44322 | 1.65090 | **1.88948** | **2.15676** |
| 1966 | 1.19104 | **1.36632** | **1.56746** | 1.79853 | 2.05739 |
| 1967 1.12207 1.29183 **1.48664** - | | | | | 1.71044 1.96115 |
| **1968** | 1.04045 | 1.20369 | 1.39100 | 1.60619 | 1.84726 |
| 1969 | .96197 | **1.11893** | 1.29904 | 1.50595 | 1.73775 |
| 1970 | **.88651** | 1.03743 | 1.21061 | 1.40957 | **1.63245** |
| 1971 | .80960 | .95437 | 1.12049 | 1.31134 | 1.52514 |
| 1972 | **.73168** | .87021 | 1.02918 | 1.21181 | 1.41640 |
| 1973 | .65711 | **.78968** | .94180 | 1.11656 | 1.31234 |
| 1974 | .58575 | .71261 | **.85818** | 1.02542 | 1.21277 |
| 1975 | .51384 | .63495 | .77392 | .93357 | 1.11243 |
| 1976 | .44175 | .55709 | .68945 | .84150 | 1.01184 |
| 1977 | .37310 | .48295 | .60900 | .75381 | .91603 |
| 1978 | .30152 | .40564 | .52512 | **.66238** | .81615 |
| 1979 | .23075 | .32921 | .44219 | .57199 | .71740 |
| 1980 | .15293 | .24516 | .35100 | .47259 | **.60880** |
| 1981 | .07750 | .16370 | .26261 | .37625 | .50355 |
| **1982** | | .08000 | .17180 | .27726 | .39541 |
| 1983 | | | .08500 | .18265 | .29205 |
| 1984 | | | | .09000 | .19083 |
| 1985 | | | | | .09250 |

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

**C. New or Revised**
**<u>Insurance Forms</u>: None**

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**Director for Insurance**

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**Chapter 6 - Dividends**

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

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

| | | **Dividend** | | |
|---|---|---|---|---|
| **Year** | 1982 | 1983 | **1984** | **1985** |
| 1952 | 2.33025 | **2.59667** | 2.90238 | 3.25360 |
| **1953** | 2.23325 | 2.49191 | 2.78872 | **3.12970** |
| **1954** | 2.13908 | 2.39020 | **2.6783** | **3.00942** |
| **1955** | **2.04765** | **2.29146** | **2.5712** | 2.89264 |
| **1956** | **1.95888** | 2.19559 | 2.4672 | **2.77926** |
| **1957** | **1.87270** | **2.10251** | **2.366~3** | **2.66919** |
| 1958 | **1.78903** | **2.01215** | **2.2681'8** | **2.56232** |
| 1959 | **1.70779** | 1.92442 | 2.17299 | **2.45856** |
| **1960** | **1.62893** | 1.83924 | **2.08058** | 2.35783 |
| **Regular** | **& Special** | | | |
| **1961** | 1.55236 | **1.75654** | **1.99085** | **2.26003** |
| **1962** | **1.47802** | **1.67626** | **1.90374** | **2.16507** |
| • **Regular &** | **Special** | | | |
| **1963** | **1.40584** | **1.59831** | **1.81916** | 2.07289 |
| **1964** | **1.33577** | **1.52263** | **1.73705** | 1.98339 |
| **1965** | **1.26224** | 1.44322 | **1.65090** | **1.88948** |
| **1966** | **1.19104** | **1.36632** | **1.56746** | **1.79853** |
| **1967** | **1.12207** | **1.29183** | **1.48664** | **1.71044** |
| **1968** | **1.04045** | **1.20369** | **1.39100** | **1.60619** |
| **1969** | **.96197** | **1.11893** | 1.29904 | **1.50595** |
| **1970** | **.88651** | **1.03743** | **1.21061** | **1.40957** |
| **1971** | **.80960** | **.95437** | **1.12049** | **1.31134** |
| 1972 | **.73168** | **.87021** | **1.02918** | **1.21181** |
| **1973** | **.65711** | **.78968** | **.94180** | **1.11656** |
| **1974** | .58575 | **.71261** | **.85818** | 1.02542 |
| **1975** | **.51384** | .63495 | **.77392** | .93357 |
| **1976** | **.44175** | **.55709** | **.68945** | **.84150** |
| **1977** | **.37310** | .48295 | **.60900** | **.75381** |
| **1978** | **.30152** | **.40564** | .52512 | .66238 |
| **1979** | **.23075** | .32921 | .44219 | **.57199** |
| **1980** | **.15293** | **.24516** | **.35100** | **.47259** |
| **1981** | **.07750** | **.16370** | **.26261** | **.37625** |
| 1982 | | **.08000** | **.17180** | **.27726** |
| **1983** | | | **.08500** | **.18265** |
| **1984** | | | | **.09000** |

2.

**C. New or Revised**

**Insurance Forms:** **None**

**PAUL KOONS**

**Assistant Director for Insurance**

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M29-l, Part II
Advance Manual Change No. 1-87 September 15, 1987

Chapter 7. Refunds

A. Change: M29-l Part II, Chapter 7. This change adds an additional condition for the need to process a refund manually. The system is designed to accomodate a refund from the pending transaction area, if the amount does not exceed *$9999.99.* Any combination of pending amounts and/or amounts being inserted to the pending transaction area that exceeds *$9999.99,* must be refunded manually via VA Form 4-706, notice of refund worksheet. If an erroneous attempt is made to disburse amounts exceeding *$9999.99* from the pending area, the pending transaction refund program will attempt to combine the amounts, so that a single amount will be disbursed. This amount is then reinserted to the pending area for immediate refund. The problem is that the pending amount field can only accomodate six positions. Therefore, the high order position of the refund amount will be truncated, causing a $10,000 out of balance condition. EXAM: Combined amounts totalling $12,000.00 will be reinserted by the system as a $2,000.00 amount.

B. Procedure: Page 7-2, add to subparagraph 7. 02b the following manual processing condition:

(7) A combination of refund amounts exceeds *$9,999.99.*

C. New or Revised
Insurance Forms: None.

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Assistant Director for Insurance

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M29-I, Part II
Advance Manual Change No. 15-84 December 21, 1984

Chapter 7. Refunds

A. Change: M29-1, Part 11, Chapter 7. This change removes the $350.00 refund threshold for processing an off-tape (VAF 4-706) refund amount to an incompetent policyholder, except for Philippine fiduciary accounts. An ADP program modif ication has been installed to extend the $350.00 on tape refund restriction (for incompetent veterans with guardian appointed) to $9999.99. The ADP system will now allow a transaction type 008 and/or transaction type 088 refund to be processed from the pending transaction area on the RPO. The requirement to secure current certification of guardian remains unchanged.

B. Procedure: Page 7-2, delete subparagraph 7.O2b(2) and substitute the following:

(2) Philippine fiduciary account.

Page 7-3, delete subparagraph 7.O3f(1)

C. New or Revised
Insurance Forms: None

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February 13,1979 M29-
Change 15

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CHAPTER 7. REFUNDS


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# CHAPTER 7. REFUNDS

## 7.01 GENERAL

a. Refunds are automatically initiated **by** the system in the following instances:

(l) Final lapse action is taken automatically and there is a credit of $1 or more, including any remaining dividend credit balance, and there are no pending posting transactions.

(2) When a repayment of a loan or lien exceeds the actual amount due by $1 or more on single policy cases with no other indebtedness involved. The amount not applied will appear as a pending transaction with a transaction **type** in the 300 series and a 609 callup. Disbursements are also automatic when both the transaction type and callup type are 609. Disbursement will be made by the system on the callup date.

(3) When a permanent **plan** limited-pay life policy is paid to the end of the premium-paying period and there is a credit of $1 or more.

b. When the system initiates a disbursement and fails to complete action, it will cause a VA Form 29-5886b, Insurance Record Printout, to be generated with a reason code in the 600 series. Clerical action is required to correct the condition which prevented the system **from making** the disbursement or to take any action which the system is not programed to accomplish.

c. When a refund is authorized manually or processed by the system with clerically prepared input, and it is necessary to eliminate an overage or a shortage, the following will apply:

(I) **Direct** Pay **Accounts.** In a routine refund, a history lookup will not be required when including overages _____ of less than 90 percent of a monthly premium, or deducting shortages of not more than 30 percent of a monthly

**premium,** except when the overage or shortage appears to be questionable. This applies only to amounts shown in the Credit or Shortage field of the Premium segment of the record printout. An overage or shortage will not be included in the refund calculations if the insured has been or will be advised of the amount on a premium notice (billing callup within 30 days of refund).

(2) **Deduction Accounts.** If the amount of the overage does not exceed a monthly premium or a shortage is less than $l, it will not be necessary to verify the amount. If the overage is more **than** a monthly premium or the shortage is in excess of $l, the amount will be verified by history lookup or any other means available.

7.02 PROCESSING REFUNDS

a. When processing refunds, the following input documents may be required to initiate disbursements, adjust the master record and insert and delete pending transactions. These documents will be completed as outlined in MP-6, **part** II, supplement Nos. 2.1 and 2.2.

(l) VA Form 29-5895a, Pending Transaction Input Card, or VA Form 29-8526, Pending Transaction, to delete or insert pending transactions.

(2) VA Form 29-5893a, Premium Input Card, or VA Form 29-8523, Premium/TDIP, to update the premium segment in the master record.

(3) VA Form 29-5892a, Policy Input Card, or VA Form 29-8522, Policy, to insert or change policy information in the master record.

b. Refunds are authorized manually or can be processed by the system as initiated with various clerically prepared input documents. VA Form 4-706, Notice of Refund and Refund Worksheet, will be prepared **to** authorize the refund manually when one of the following conditions exists:

(l) Account is not on tape.





(2) Fiduciary case involved, and amount of refund is $350 or more, or a Philippine fiduciary account, regardless of the amount.

(3) A third-party refund is involved.

(4) An immediate refund is required, and a life or policy freeze prohibits accomplishing the refund on tape.

(5) Refund cannot be accomplished on tape because refund date is after the action date on RPO.

(6) Insured requests refund of an amount less than $1.

*NOTE: When processing refunds manually and there is a master record on tape, prepare the appropriate input to adjust the master record.*

c. When a request for refund of unearned premiums or PIR (Pure Insurance Risk) is received, request an RPO and freeze the master record. Refunds of a pending posting or disbursement transaction do not require that the master record be frozen. When the refund involves PIR, computation of the amount due will be requested on VA Form 29-320, Request for Calculation, overprinted for that purpose.

d. To initiate the disbursement of the full amount of a pending [item in the] (200 series transaction type) [on how paid codes other than 5, 7, 8 or 9, or pending items in the (300 and 600 series] transaction type) by the system, prepare input document using transaction type 088, for each transaction to be refunded. The refund will be made by the system even if the master record is frozen. [It is not necessary to obtain the insurance folder when this transaction is being used.]

e. When only a part of a pending posting or disbursement transaction is to be refunded, prepare input document(s) with transaction type 098, to delete the pending transaction, and transaction type 008 to insert a pending disbursement for the amount to be refunded. If the part to be retained is to be applied as premium, prepare input document with transaction type 083 to update the next premium due date on the master record. If applied on a loan or lien indebtedness, prepare input document with transaction type 008, to insert the amount as a pending 300 or 302 posting transaction.

f. To insert a pending disbursement transaction, prepare input document with transaction type 008. The refund will be made on the callup date if both pending transaction and callup type are 609. The amount inserted as a pending disbursement may be a combination of the following:

(I) Overages in the credit field on the premium segment.

(2) Unearned premiums.

(3) PIR credits.

(4) Section 712 or 748 waiver credits.

g. When refunding unearned premiums, prepare input documents with transaction type 083, to correct the master record and make the necessary adjustments of control accounts. If TDIP (total disability insurance provision) is involved, use transaction type 087 to correct the TDIP segment and make necessary adjustments of control accounts. To change PIR or section 724 waiver information, it will be necessary to prepare an input document using transaction type 082.

h. When [VA Form 4-706, is used to initiate a refund and the RPO (record printout) is not being used as an input document], the amount to be refunded will be clearly indicated on the RPO and circled in red ink. The RPO will be noted to show: F-706, REAU, the date and the name of the clerk initiating the refund. [It is not necessary to prepare a refund flash reference slip.] The input documents, RPO, insurance folder and other related

___ material will be sent to the Voucher Audit [activity] for review and verification.





h. When input documents and/or a VA Form 4-706 are prepared, the amount to be refunded will be clearly indicated on the RPO and circled in red ink. The RPO will be noted to show 4-706 REAU, the date and the name of the clerk initiating the refund. The input documents, RPO, insurance folder and other related material will be sent to the Voucher Audit Unit for review and verification.

7.03 DISBURSEMENTS TO INCOMPETENT INSUREDS

a. The system will automatically disburse payments to the legal guardian of an incompetent insured, if the amount is less than [$250] and it is not a Philippine fiduciary account. An RPO will be generated with reason code 672.

b. The system will establish a pending disbursement transaction with a 970 callup code when any of the following conditions are indicated on the master record:

(l) The insured is incompetent but no legal guardian has been appointed.

(2) The amount of the disbursement is [$250] or more.

(3) Philippine fiduciary account, regardless of amount.

c. VA Form 29-505, Request for Information, will be prepared and released to the (Veterans Services Officer] of the regional office involved, in the following instances:

(l) No legal guardian has been appointed.

(2) A current certification of guardianship is required when the amount of disbursement is ($250] or more. Certifications for these disbursements must be no more than 6 months old. If more than 6 months old, a current certification must be obtained. The certification of guardianship may be authorized in a letter from the Veterans Services Officer, VA Form 27-555, Certification of Legal Capacity To Receive and Disburse Benefits, or other

suitable forms.

d. VA Form 29-504, Notice of Payment Due Incompetent Veteran, will be clerically prepared and released to the (Veterans Services Officer] of the regional office involved, when any disbursement is processed clerically or automatically by the system.

*NOTE: VA Form 29-504 will not be released to the [Veterans Services Officer] of the regional office involved when the Director of a VA hospital or domiciliary has been designated the fiduciary.*

e. VA Form 4-706 will be clerically prepared to disburse the following:

(l) Refunds of ($250] or more after current certification has been received.

(2) refunds, regardless of amount, on Philippine fiduciary accounts. These forms must be addressed to the guardian in care of the [Veterans Services Officer] , Manila regional office.

7.04 CONTROL OF PENDING REFUNDS

a. A positive control (see subpar. b below) over pending refunds will be limited to those cases in which:

(l) A dictated letter was sent to the insured containing a specific promise of refund.

(2) An inquiry is received from an insured who refers to a previous unanswered request for a refund.

(3) An underwriting application, other than new issue, is disapproved and a form or dictated letter is released

a promising the applicant a refund.

b. A VA Form 29-5895a, or 29-8526 transaction type 008, will be used to insert a nonfreeze refund diary with a 15-day callup date.





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**CHAPTER 8. LOANS**

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## CHAPTER 8. LOANS

### 8.01 GENERAL

a. VA Form 29-1547, Application for Policy Loan, and VA Form 29-5772, Loan and Cash Surrender Values, are applications designed for requesting a loan. A letter containing a specific request for a loan over the insured's signature may be considered as an informal application. Other documents will be received requesting information on loan values, cancellation of application for policy loan and cancellation of an outstanding loan where the loan check has not been cashed. These applications will be received and processed in the Policy Service Section.

b. Arrangements have been in effect since 1968 whereby [Veterans Assistance] personnel can call directly into the Special Service Clerks at the Philadelphia and St. Paul VA centers to expedite insurance policy loans. Upon receipt of such a request in the Special Service Unit via the FTS system, regular procedures incident to processing policy loans will be immediately effected. A chronological log will be maintained for control purposes pending receipt of the signed forms. As each form is received, the item appearing on the appropriate log will be checked off and the form will be stamped Ready for File, signed, dated and released for filing in the insurance folder. Any items remaining unchecked after 15 calendar days will require that an inquiry be addressed to the office of origin to determine the reason for delay. If a document appears to have been lost in transit, the applicant will be requested to sign and return a duplicate in an addressed, franked envelope that will be supplied

c. if the correct insurance folder is no t attached to the document or if no folder is attached, take immediate action to obtain it. A VA Form 29-5886 , insurance record print Out (RPO), should also be available before an input document is introduced into the system to process the loan.

d. When there will be a delay in processing the application or communication, release a VA Form Letter 29-108 or a dictated letter to the insured and note the application accordingly. When records are located in the other office, airmail the application or correspondence to that office.

e. Upon receipt of all necessary records, take action to process the loan, request for loan information, or cancellation of the loan.

f. Upon receipt of a loan application, either formal or informal, which has been associated with an RPO, and there is no record of the insurance folder, authority for processing the loan without the folder will be vested with the Chief, Policy Service Section. The loan may be processed without verification of the signature if the check is to be forwarded to the address of record. The signature will be verified in these cases when the folder is subsequently associated with the insurance folder. Verification of signature will be made prior to processing when the check to be mailed to an address other than the address of record. When verification of signature is
necessary before action can be taken, every possibility will be pursued to obtain a microfilm print or photocopy documents available in the office bearing the insured's signature. If verification of the signature cannot be obtained, FTS may be used to contact the insured at the address to which the check is to be mailed to authenticate the action to be taken. The application will be appropriately noted.

g. The signature on the application must be compared with the insured's latest signature on records in the insurance folder to determine that the application was made over the signature of the insured. When it is apparent that the signature is not the insured's, or the signature is questionable, release a dictated letter to the insured, asking for verification of the application for loan. The letter will state that the signature on the application appears to be different from that on file. Enclose another application and request the insured to have his signature on the new application witnessed by a VA representative or by one disinterested person. The address of the witness should also be included. The letter will clearly indicate that the request for a new application is being made solely to protect the insured's interests.

1. When a question of the insured's competency arises in connection with a loan application, take the following action:

(1) Prepare a memorandum requesting the Disability Determination Unit to determine whether the insured is competent or incompetent. Include type and amount of pending disbursement in the request.

(2) That unit will return the material with the insurance folder for further processing after de termination is made.

j. When action is taken to initiate automatic processing and edits are not met, an RPO will be generated with a reason code in the 600 series.

k. When a VA Form 29-1547 or 29-5772 is released to an insured, a self-addressed Kraft envelope will be enclosed for his use. When the Kraft envelope is returned by the insured, it will be selected and processed before the routine mail. All loan applications will be handled on a priority basis.

## 8.02 PROCESSING FORMAL AND INFORMAL APPLICATIONS FOR POLICY LOANS BY THE SYSTEM

a. VA Form 29-323, [Disbursements], or [VA Form] 29-8521, [Disbursements], will be used to initiate system processing of **a** loan unless one of the following conditions exists:

(l) There is a life or policy freeze.

(2) Account has off-tape indebtedness or statutory lien.

(3) Incompetency is indicated.

(4) Insurance is lapsed or on extended insurance.

(5) Returned mail indicated.

•

(6) Policy not in a multiple of $500.

(7) There are more than two policies and an insurance overpayment lien exists on one or more of the policies.

(8) When part of loan is to be used to pay premiums and part to be paid in cash.

b. When VA Form 29-323 is used to initiate system processing of the loan and the loan check is to be mailed to an address different from that in the master record, prepare a VA Form 29-322, Disbursement [ ] Address or Trailer Input. When the address on the application is intended as an address change for all insurance purposes, prepare VA Form 29-5934, Change of Address for Insurance Purposes, in lieu of VA Form 29-322. A second form is not required when using VA Form 29-8521 as it contains an area to be used when a different address is involved. If the address on the application is not intended for all insurance purposes, or the check is to be mailed to an address other than the insured's bank or to a address, prepare VA Form 29-5785, Address Insert Slip, showing the address which is on the RPO. The VA Form 29-5785 will be used for mailing VA Form 29-1468b, Notice of Approval of Policy Loan, which will be produced by the system.

c. When action is not initiated to process a replacement loan in the system, prepare a request for RPO and freeze the record.

d. When preparing VA Form 29-323 or 29-852 l to initiate system processing of a loan, transaction type 617

will be used if the following conditions are met:

(1) There is an overpayment lien on another policy which will be paid from the proceeds of the loan.

(2) New or replacement loan may be granted under certain conditions even though there is loan activity within the last 20 days.

*NOTE: If the above conditions are not involved, transaction type 607 will be used.*



e. After input documents are prepared to initiate system processing of the loan, the Policy Service [technician] will enter his[/her] initials, [the input(s) prepared] and the current date on the left margin of the loan application. The input documents, with all other material, will be sent to the Voucher Audit [activity] for review and verification.

f. If loan input documents were rejected by the system and are being reintroduced, the case should be returned to the Voucher Audit [activity].

g. When the loan is processed, the system will produce VA Form 29-l468b, which is sent to the Voucher Audit [activity] . The original is sent to the insured and the duplicate is filed in the insurance folder.

**8.03 PROCESSING REQUESTS FOR INFORMATION ON LOAN VALUES**

e a. Information on the loan value of the policy is furnished the insured upon request or when the cash value of the policy is being furnished to him[her]

b. For computer system processing, VA Form 29-323 or 29-8521, transaction type 603, is prepared. Computation code 3 is entered in block 74 on VA Form 29-323 or in the RPO Reg block on VA Form 29-8521. The computation date is entered in blocks 22-26 or VA Form 29-323 or the Postmark/Computation Date field on VA Form 29-8521. It is an AS OF date.

c. The computer system will make the necessary computations and generate a completed VA Form 29-5772, including the net cash and net loan values. The net loan value is the maximum loan value minus the indebtedness (loans, liens, accumulated interest, and premium shortages). If the indebtedness exceeds the loan value, zeros will be printed in the NET LOAN VALUE block.

d. When any of the following conditions are indicated, clerical processing is required:

(1) There is a life or policy freeze.

(2) Level premium term insurance.

(3) Account has off tape indebtedness or statutory lien.

(4) Incompetency is indicated.

(5) Insurance is lapsed or on extended insurance.

(6) Day number cannot be calculated from input data.

(7) Policy not in force 1 5year.

(8) Action type indicates impending automatic surrender.

(9) Returned mail indicated.

(10) Overpayment lien in effect on another policy of the insured.

(11) Loan interest not capitalized.

*NOTE: If input* is *inserted into the computer system when any of the above conditions are on the master record, the input* will *be rejected and an RPO, reason code 611, generated for clerical processing.*

e. Clerical processing to provide information on the loan value of a policy.



(1) If the plan of insurance is 5LPT, or if a permanent plan policy has been in force for less than 12 months, a FL 5
29-108 is prepared and released. On a permanent plan, the loan value at the end of the first policy year is included.

(2) If premiums are paid through or beyond the current premium month, compute the loan value as follows:

(a) Determine the period of time (years and months) the policy will have been in force from the effective date through the prospective premium month in which the loan will be requested.

(b) Using the plan of insurance, the age of the insured on the effective date of the policy and the years and months the policy will have been in force, obtain the fractional reserve value per $1,000 of insurance. Fractional reserve values per $1,000 of insurance are published in the following manuals:

1. V-H-M29-2, Part III A, Table XXVI.

2. RH-M29-6, Part II.

3. W-M29-8, Part III.

**4.** J-M29-l0, Part III-A.

5. JR-JS-M29-l0, Part III-B.

6. K-M29-4, Part II.

(c) Multiply the fractional reserve value per $1,000 of insurance by the thousands of insurance. This is the total amount of reserve.

(d) Multiply the total amount of reserve by 94 percent. This is the maximum loan value.

(e) Subtract the indebtedness (loans, accumulated interest, premium shortages, liens, including an insurance overpayment lien on another policy of the insured) from the maximum loan value. This is the net loan value. If the indebtedness exceeds the maximum loan value, the net loan value is zero.

(f) To compute the net cash value refer to chapter 9 of this manual, paragraph 9.02.

(3) [When] a form, [AT (automatic typewriter)] , or dictated letter is released manually, the net loan value and the net cash value will be furnished.

(4) When it is necessary to process the loan value of paid-up insurance clerically, a VA Form 29-320, Request for Calculation, will be prepared and sent to the actuarial computers for computation.

(5) If the policy is lapsed, determine the cost of reinstatement and the loan value through the prospective month of reinstatement. The cost of reinstatement, the loan value and the requirements of reinstatement will be furnished the insured in a dictated letter.

(6) If there is Other Indebtedness indicated, obtain amounts and types. Compute interest, when applicable, through the prospective date of new or replacement loan.

(7) If the insured is incompetent, a dictated letter will be released to the [Veterans Services Officer] of the appropriate regional office. The loan value available through the prospective premium month in which the loan will be granted will be included in the letter.

(8) VA Form 29-5772 will be prepared and released in all instances [when] it is not indicated that a dictated letter or FL
29-108 is to be released. The insured's letter will be enclosed with the reply.





(9) If the insured requests additional information, the reply will be by dictated letter. If the insured's letter contains information of record value, it will be stamped Ready for File, signed and dated and sent to be filed in the insurance folder. Otherwise, it will be disposed of in accordance with Records Control Schedule VB-1, part l.

**8.04 MANUALLY PROCESSING FORMAL AND INFORMAL APPLICATIONS FOR POLICY LOANS (REINSTATEMENT OR CHANGE IN PLAN NOT INVOLVED)**

a. For an initial loan, verification of the [signature] will be made by checking the [latest signature] in the insurance folder.

b. Review the loan application for acceptability.

c. If the RPO does not indicate Insured Incompetent but accompanying g correspondence indicates the insured may be incompetent, or if the RPO indicates Incompetent but no guardian has been appointed, the material and folder will be sent to the Disability Determination Unit for a decision.

d. If there is other indebtedness, obtain amounts and type. Withhold the necessary amount from the loan to offset the indebtedness. If the indebtedness is a section 304 lien, the cash actually paid to the insured is limited to the amount the maximum loan value exceeds the section 304 indebtedness.

e. If the insured has other policies in force, check for any outstanding insurance overpayment liens for the other policies. If so, deduct the amount automatically and advise the insured of the action taken. The insured

will be told that if he [or she] objects to the action taken and returns the loan check, we will cancel the entire transaction.

f. If premiums are not paid through the premium month in which the loan is to be granted, determine whether the application for loan was mailed within the grace period of the next premium due or within 30 days after end of grace period. One, two or three monthly premiums may be withheld from the loan to pay premiums through the month in which the loan is granted. If not, proceed as follows:

(1) Determine if there are any pending moneys which, when applied, would permit granting the loan. If so, apply them.

(2) Determine if there are any Administrator's Decision 902 and/or dividend credits on any policies of the insured, which, when applied, would permit granting the loan. If so, apply them.

(3) If credits are applied to permit granting of the loan, process the application, if otherwise in order.

5 g. If it is found that less than 20 days have elapsed since the last loan or lien repayment, determine the amount and type of repayment. If payment was made by check, take the following action:

(l) Process the loan without delay if the amount of the [ ] remittance is less than $l00[ ].

(2) If the amount of the personal check is $100 or more and the amount of the new loan, plus the amount of the check, exceed the maximum reserve value, withhold processing until 20 days have elapsed. Release a letter advising the insured of the reason for the delay.

h. If the application is in order and all requirements are met, compute the loan value and the loan as follows:

(l) Determine the maximum loan value of the policy as outlined in paragraph 8.03e.

(2) (Deleted by change 6.)

(3) If there is an outstanding loan, compute interest to the date the replacement loan is to be effective.



(4) If there is an outstanding premium or insurance overpayment lien, compute interest, when applicable, to the date the new or replacement loan is to be effective. Make the same computation for insurance overpayment liens on other policies of the insured.

(5) If the amount of loan requested does not include a deductible indebtedness, or a deduction has to be made to pay premiums through the premium month in which the loan is granted, increase the loan to permit release of a check for the amount desired, if sufficient loan value is available.

1. If an informal application is acceptable, stamp, date and initial the application as below:

Accept as Informal Application for Loan

(Date of Acceptance) (Initials of person authorizing acceptance)

Date Initials

Authority for acceptance is limited to the Insurance Officer and designees.

j. If the application is approved, note the application as follows:

(l) Approved, date and sign. A name stamp may be used in lieu of signature.

(2) If the requested loan exceeds the loan value of any one policy of the insured, determine the amount of loan to be granted on each policy. Enter Accept as applications for loans on (Policy No.) and (Policy No.), in the left margin. **A** dictated letter will be sent advising the insured of the action taken, and that if it is not in accord with his[or her ] intent, to [ ] inform[

k. When the loan is approved, prepare VA Form 29-1468b, using the form with loan repayment portion, if other than an allotment or DFB account. If allotment or DFB account, use VA Form 29-1468b that does not contain the loan payment portion. The form will be completed as follows:

(l) File Number. Enter file number including letter prefix.

(2) Policy Number-Prefix-Last Three Digits. Enter letter prefix for policy number and last three digits of policy number.

(3) Effective Date of Loan. Enter month, day and year loan is to be effective. The effective date will be the date the check is drawn by the Treasury Department.

(4) Total Amount of Loan. Enter total amount of loan to be granted.

(5) Interest Credit. Enter interest credit, if any, resulting from a replacement loan.

(6) Previous Premium Credit. Enter amount of previous premium credit used to pay premiums as a result of the loan.

(7) Dividends Refunded. Enter amount of dividend credit or deposit to be included in the loan check.

(8) Total Credits. Enter total of amounts shown in subparagraphs **(4),** (5), (6) and (7) above.



(9) Previous Loan

(a) Remaining Balance. Enter balance of previous loan.

(b) Interest to Date of New Loan. Enter amount of interest due on previous loan to the effective date of replacement loan, when applicable.

(10) Unpaid Premiums

(a) Amount. Enter amount deducted for premiums.

(b) 5 From. Enter due date of premium being paid from the loan.

(c) Next Premium Due. Enter next premium due date after payment of premium from the loan.

(11) Previous Premium Shortage. Enter amount deducted to pay premium shortage.

(12) Other Deductions. Enter any amount deducted other than those shown in subparagraphs (9), (10) and (11).

(13) Total Deductions. Enter totals of amounts in subparagraphs (9), (10), (11) and (12).

(14) Amount of Check. Enter dollar amount of check.

(15) The name and address of the payee should be entered in the space provided on the form as follows:

(a) Insured's first name, middle initial(s), and last name, if loan is granted to insured directly or through an attorney-in-fact.

(b) Address of insured shown on the application, unless a fiduciary is involved.

(c) If fiduciary is involved, show name and title of fiduciary, insured's name, and address of fiduciary.

(16) In addition, the lower portion will be completed, when required, to show File Number, Policy Prefix and Number and the name of the insured.

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l. When a check of [$250] less is to be mailed to the fiduciary, prepare VA Form 29-504, Notice of 4 Payment Due Incompetent Veteran, to notify the [Veterans Services Officer] of the payment. e

m. Prepare VA Form 29-5894a, Optional Segment Input, or VA Form 29-8525, Dividend/Loan/Lien, to insert or change the loan segment on the master record.

n. Loans that are processed manually will be scheduled with surrenders and refunds. This precludes expedited handling by the Treasury Disbursing Office and must be considered when establishing the effective date of an off-tape loan.

o. When a loan is requested on a policy with premiums being paid by allotment and the records reveal that the allotment being received is short of the monthly premium, the policy service clerk will compute the total shortage through the premium month in which the loan is to become effective.

(1) When the premium shortage is more than the loan value, the loan application will be disapproved and the insured notified.

(2) When the premium shortage is less than the loan value, the loan will be manually processed and the shortage deducted from the amount payable. The amount of shortage deducted from the loan will be established



as a pending 211 item, to be used when the allotment has been adjusted - A frozen 120-day callup diary with a 953 callup code will also be inserted with the message, SHORT DED FR LN. The diary will then be used for follow-up action for the allotment adjustment. The insured will then be advised of the action taken and that he or she should have the allotment adjusted.

**8.05 LOAN REQUESTS WITH FUTURE EFFECTIVE DATE**

**a.** When an acceptable loan application, either formal or informal, is received and the insured requests **a** future loan effective date, take action as follows:

(1) Prepare VA Form 29-5895a, Pending Transaction Input, using transaction type 008, to insert **a** diary message FUTURE LOAN DAT with a callup date 10 days prior to the requested loan effective date.

(2) Notify the insured by dictated letter that the loan application has been received and VA records have been noted to comply with his or her request. Assure that the policy will be eligible for a loan on the date requested.

(3) The loan application, with a copy of the letter, will be stamped Ready for File, signed, dated and filed in the insurance folder.

b. When the record printout is received 10 days prior to the requested loan effective date, obtain the insurance folder and process the loan to comply with the request. In addition, delete the future date diary.

c. The above procedures do not apply if reinstatement of insurance is involved.

**8.06 MANUALLY PROCESSING FORMAL AND INFORMAL APPLICATIONS FOR POLICY LOAN INVOLVING REINSTATEMENT** 5~

a. Examine the RPO and application(s) to determine if the insured mailed a direct remittance to cover part of the cost of reinstatement.

b. If dividends are to be applied in connection with reinstatement, prepare VA Form 29-394, Dividend Transaction Input Card, or VA Form 29-8528, Paid Dividend/Dividend History, to manually authorize dividend years, to the date of reinstatement.

c. Prepare VA Form 29-1468b for the amount of loan requested. Enter the [postmark] date of [the] reinstatement as the effective date of loan if it is a no-check loan. If there is a check to be disbursed, the effective date of loan will be the date the loan check is mailed.

d. Prepare input documents to insert and/or correct the master record and make any necessary adjustment in control accounts involved.

**8.07 PROCESSING REQUESTS FOR CANCELLATION OF APPLICATION FOR A POLICY LOAN**

a. Upon receipt of the request for cancellation, associate it with the insurance folder.

b. If the loan was manually processed and the voucher has not been released in **a** check case, or if the notice of approval in a no-check case has not been released, take action as follows:

(1) Enter Canceled Per Request Dated _____ , on the application.

(2) The request will be stamped Ready for File, signed, dated and filed with the application in the insurance folder, if the insured does not request return of the application.

(3) Void any preliminary action taken in processing the loan. 5

(4) Release a letter to the insured advising of the action taken.

c. If the voucher has been released, advise the insure d why [the] request cannot be complied with and how he (or she] may repay the loan in full.

**8.08 PROCESSING REQUESTS FOR CANCELLATION OF AN OUTSTANDING LOAN, WITH TD FORM 1664X, RETURNED CHECK NOTICE, ATTACHED**

a. Examine all records involved in granting the loan and determine whether:

(I) The loan was granted in error, or

(2) The request for loan was misunderstood, or

(3) The elapsed time between receipt of the request for loan and the actual granting of the loan was unreasonable (more than 10 workdays), or

(4) The request for loan was signed by an insured who is incompetent or insane, or

(5) The check was returned as undeliverable and cannot be remailed immediately, or

(6) The check was issued in foreign currency.

b. Process as follows if the request for cancellation meets any of the conditions in subparagraph a above:

(1) Stamp Canceled on the loan application, remove it from the insurance folder and, if requested, return it to the insured.

(2) Punch holes, using a two-hole punch, at the bottom of the TD Form l 664X.

(3) On the reverse of the TD Form 1664X place a rubberstamp impression showing the following

information:
Check is proper for cancellation.

On-Tape Reason for Cancellation
Off-Tape (No input)

For off-tape cancellations, indicate below the purpose for which check was originally issued:

5 Dividend _____ Cash Surrender RO # _____
Year Other (Explain) XC # _____

Premium Refund
Policy Loan
SF 1098 Number _____ _____
Signature of Authorizing Employee

(4) Complete the above-stamped impression by entering all necessary information except the SF 1098, Schedule of Canceled Checks, number.

(5) Take the following action to cancel the loan on the master record:

(a) Examine VA Form 29-1468b, which was prepared when the loan was granted.

(b) Prepare input documents to delete the present loan from the master record: and restore all fields affected by the granting of the loan to their status before the loan was granted.



(6) Forward TD Form 1664X, insurance folder and all supporting documents required for the cancellation of the loan to the Voucher Audit activity.

c. If granting the loan was in order, process as follows:

(1) Prepare TD Form 1664R, Request To Mail Returned or Held Check, in triplicate. In addition to other

entries on the form, enter the insurance numbers under Additional Remarks.

(2) Compute interest to a date sufficiently in advance to permit the insured to mail his payment to repay the loan in full.

(3) The TD Form 1664X will be stamped Ready for File, signed, dated and stapled to the triplicate copy of TD Form 1664R and filed in the insurance folder.

(4) Attach original and duplicate of TD Form l 664R to insurance folder and:

(a) Prepare a dictated letter to advise the insured that the loan was granted at his or her request and cannot be canceled. Also, that he [or she] may repay the loan by endorsing and returning the check with a remittance to cover the interest due.

(b) Send the material to the Voucher Audit [activity] for release of original and copy of letter, together with the original and duplicate copy of TD Form 1664R, to the Treasury Department.

## 8.09 PROCESSING LOAN CHECKS RETURNED BY AN INSURED ADVISING THAT LOAN IS NOT DESIRED

a. When VA Form 24-4472, Returned Check Worksheet, is received from the local agent cashier, Finance and Data Processing Division, examine the records as outlined in paragraph 8.08a.

b. When granting of the loan was proper, return the VA Form 24-4472 with instructions for deposit and application to the loan as of the postmark date of return. In addition, release a dictated letter to advise the insured of the action taken.

c. When granting of the loan was not proper, cancel the check and loan and advise the insured of the action taken. Accomplish the cancellation as outlined in paragraph 8.08b.

## 8.10 PREPAYMENT OF POLICY LOAN INTEREST

a. When the Collections Section, Finance and Data Processing Division, receives a remittance with a request for it to be applied to pay interest in advance on a policy loan, they will assign a code 2 to the collections input. This will cause the posting to go pending. The request will be forwarded to the Policy Service Section.

b. When the request is received and the payment, sufficient to pay a full year's interest and appears as a pending posting, the following documents will be prepared:

(l) VA Form 29-5895a, transaction type 098, to delete the pending item.

(2) VA Form 29-5894a or 29-8525, transaction type 085 to capitalize and update the interest year.

(3) VA Form 29-5894a or 29-8525 (second day release) to apply the amount of the payment.

(4) VA Form 29-5895a, transaction type 008, to insert a nonfreeze diary with the message LOAN INT. PREPD. The last digit of the interest year will also be entered in the diary message. The callup date should be 1 20 days from the current date. At the end of 120 days, delete and reinsert another 120-day diary. This action will continue until the loan anniversary date of the interest year indicated is reached.



(5) VA Form 29-l 461, Payment Receipt, will be prepared to reflect the application of the payment to the loan interest.

*NOTE: If the loan payment has been applied by the system but not in the manner requested by the insured, input will be prepared to reverse the erroneous action and reap plied as outlined above. The corrected receipt will be completed to show the following legend: REPLACES RECEIPT PREVIOUSLY FURNISHED SHOWING SAME PA DATE AND AMOUNT INDICATED ABOVE.*

c. The input and all relate d material will be forwarded to the Voucher Audit activity for review.

d. When the request is received and the payment is insufficient to pay a full year's interest, the insured will be advised that partial payment of interest is not permitted. In addition, the insured should be afforded the opportunity of changing the effective date of the loan to a date in December.

(l) If the insured accepts the arrangement of changing the effective date of the loan, the loan account will be adjusted. Interest accumulating to the date of the new loan in December will be calculated, and any payments made for interest purposes will be applied to interest and a receipt issued showing amount of interest paid. All payments made subsequent to the anniversary loan date in December, will be applied to reduce the loan principal except those payments which are made in response to interest billing in December of each year. These payments will be applied to interest in the amount then due and a receipt will be released.

(2) In addition to the adjustment of the interest (as stated in subpar (1) above), VA Form 29-1468b showing the new loan effective date will also be mailed to the insured.

## 8.11 LOAN WITH DIRECT REMITTANCE TO PAY PREMIUMS

a. When a loan, together with a direct remittance, is to be applied to pay premiums, the Policy Service [technician] will prepare the following input documents and insert them into the ADP system on the same processing day:

(1) VA Form 29-5895a, Pending Transaction Input Card, or VA Form 29-8526, Pending Transaction, to delete the pending item.

(2) VA Form 29-5893a, Premium Input Card, or VA Form 29-8523, Premium/TDIP, to insert the pending remittance as 5 an overage.

(3) VA Form 29-323, Disbursements, or VA Form 29-852 l, Disbursements, to initiate processing of the loan. The ADP system will make all necessary calculations.

b. The Voucher Audit [activity], after completing their processing, will return the insurance folder and the RPO, reason code 080, to the Policy Service Section.

c. Upon receipt of the folder and the RPO, the Policy Service [technician] will prepare the following input documents:

(l) VA Form 29-5895a or 29-8526 to delete the pending items. (The loan amount has been processed in pending as **a** result of the input in subparagraph [a] (3) above.)

(2) VA Form 29-5893a or 29-8523 to update the premium segment (the overage is used together with the premium loan applied to update the account).

## 8.12 COMPUTING INTEREST ON LOAN AFTER POLICY MATURES

a. When a policy matures (death, matured endowment, total permanent disability, or cash surrender) just before or just after the loan anniversary date, the date of the maturity must be considered in computing the interest on the loan. (Annual interest on policy loans is capitalized 2 days prior to the loan anniversary date for domestic addresses and 30 days prior for foreign addresses.)

b. When a policy matures before the loan anniversary date and annual interest has been capitalized for the current loan year, it will not be reversed. Instead, interest will be computed on the loan account balance prior to annual interest capitalization from the date of maturity to the loan anniversary date. This interest is a credit and will be subtracted from the loan account balance after the annual interest was capitalized to determine the loan indebtedness on the maturity date.

c. When a policy matures after the loan anniversary date (including the first 20 days), interest will be computed on the loan account (loan plus annual interest) from the loan anniversary date to the date of maturity. The interest is added to the loan account balance after annual interest has been capitalized to determine the loan indebtedness on the maturity date.

**8.13 PROCESSING LOAN WITH CLAIM FOR TOTAL PERMANENT DISABILITY BENEFITS PENDING**

a. A loan cannot be granted after a USGLI (U.S. Government Life Insurance) policy matures because of TPD (Total Permanent Disability). Therefore, action will not be taken simultaneously on an application for a loan and a claim for TPD benefits. Whenever an application for a loan is received while such a claim is pen ding, a complete explanation must be furnished the insured. He [or she] will be told the application for a loan will be held pending until a determination is made on the claim. If he [or she] insists on the loan, it will be necessary for him [or her] to withdraw the claim. This applies regardless to which action was received first by the VA. In any case, all action will be suspended until the insured makes his [or her] desires known.

5 b. When an application for a loan is received while a claim for TPD benefits is pending the following action will be taken:

(l) VA Form 29-5895a, Pending Transaction Input Card, or VA Form 29-8526, Pending Transaction, will be prepared to



insert a 30-day diary on the tape. The diary message is LOAN PENDING. The master record will not be frozen. The VA Form 29-5895a or VA Form 29-8526 will be inserted as input in the next processing day number.

(2) The loan application, RPO and/or folder will be hand carried to the Insurance Claims Section for preparation of a letter of explanation to the insured.

(3) When the records are returned by the Insurance Claims Section, the loan application will be processed or canceled, depending upon the instructions with the records.

**8.14 PROCESSING LOAN WITHOUT INSURANCE FOLDER**

a. Upon receipt of an application for a loan, formal or informal, which as been associated with an RPO, and there is no record of the folder or it is charged out, a search will be made to locate the folder [(see M29-1, part VIII)]. If it cannot be located within I workday, the material will be noted accordingly and forwarded for processing of the loan.

b. A search slip will be prepared showing the type of action pending and the date the material was forwarded for processing. The search for the folder will be continued.

c. When the folder is located, it will be held until the material is returned. If the material is received prior to locating the folder, it will be held until the folder is located. When the material has been associated with the folder, the case (material and folder) will be returned to the unit that processed the loan for review and any additional action necessary.

d. If the loan check is to be sent to an address that is different from the one of record, the signature of the insured on the loan application must be verified prior to processing of the loan.

e. In those instances when the signature of the insured must be verified and the folder has not been located, every effort will be made to obtain a microfilm print or photocopy of documents available to the local office, bearing the insured's signature. Microfilm prints are available from the following sources:

(1) Beneficiary and option designations if beneficiary designation reel number is in the master record.

(2) Remittances.

f. If verification of the signature cannot be made, FTS (Federal [Telecommunications] System) may be used to contact the insured to authenticate the loan. The loan application will be appropriately noted.

g. After action has been completed, a VA Form 3230, Reference Slip, will be noted in red, SPECIAL MAIL - ATTACH FOLDER, attached to the material and routed to the Voucher Audit [activity] or [Insurance Files Section] for filing in the insurance folder, as appropriate.

**[8.15 PROCESSING RPO REJECT REASON CODE 644**

**a.** When action is taken to initiate automatic processing of a maximum loan and the reserve on the basic policy, and the reserve on the paid-up additions equals or exceeds $10,000, the system will generate an RPO with reason code 644.

b. When the above condition exists, and the total amount of the 5 percent loan will exceed $9,999.99, the face amount of the policy must be equally divided into two contracts. When it is necessary to divide the contract, the following actions will be taken:

(I) Forward the records to MASU (Miscellaneous Accounts and Service Unit) for a new policy number, and request a frozen RPO.

(2) Upon receipt of the new policy number and the frozen RPO, prepare VA Form 29-328, Underwriting Worksheet, to show the division of the contract.



(3) Prepare inputs to reduce the basic policy, paid-up additions, and any existing loan(s) **by** one-half.

(4) Prepare inputs to insert the amount of insurance, paid-up additions and/or existing loans which were reduced under the new insurance number. Insert the beneficiary and option reel number shown on the basic policy.

(5) Remove the life and/or policy freeze. Request a follow-up RPO and when received, authorize maximum loans on both policies. Use 607 or 617 transaction type with **a** computation code "1."

(6) Send a dictated letter to advise the insured of the action taken. Prepare two VA Forms 29-336, Designation of Beneficiary and Optional Settlement, one for each policy and enclose them with the letter. **Also** advise that computer 5 generated policies, one for each contract, will be sent under separate cover.]

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## CHAPTER 9. CASH SURRENDERS

9.01 GENERAL

**a. VA Form 29-1546, Application for Cash Surrender Value, and VA Form 29-5772, Loan and Cash Surrender Values, are applications designed for requesting a surrender of a policy. A letter containing a specific request for a surrender over the insured's signature may be considered as an informal application. Other documents will be received requesting information on surrender values, cancellation of applications for surrender and cancellation of surrenders where the check has not been cashed. These applications will be received and processed in the Policy Service Section.**

b. If the correct insurance folder is not l e is not66ached to the document or if no folder is attached, take action to obtain it. A VA Form 29-58 86 Insurance Record Print out(RPO), should also be available before an input document is introduced into the system to process the surrender.

c. When there will be a delay in processing the application or communication, release FL 29-108 to the insured and note the application accordingly. When records are located in the other office, airmail the application or correspondence to that office.

d. Upon receipt of a surrender application, either formal or informal, which has been associated with an RPO, and there is no record of the insurance folder, authority for processing the surrender without the folder will be vested with the Chief, Policy Service Section. The surrender may be processed without verification of the signature if the check is to be mailed to the address of record. The signature will be verified in these cases when the folder is subsequently associated with the insurance folder. Verification of signature will be made prior to processing when the check is to be mailed to an address other than the address of record. When verification of signature is necessary before action can be taken, every possibility will be pursued to obtain a microfilm print or photocopy of documents available in the office bearing the insured's signature. If verification of the signature cannot be obtained, FTS may be used to contact the insured at the address to which the check is to be mailed to authenticate she action to be taken. The application will be appropriately noted.

e. The signature on the application must be compared with the insured's witnessed signature on records in the insurance folder to determine that the application was made over the written signature of the insured. When it is apparent that the signature is not the insured's, or that the signature is questionable, release a dictated letter to the insured asking for verification of the application for cash surrender. The letter will state that the signature on the application appears to be different from that on file. Enclose another application and request the insured to have signature on the new application witnessed by a VA representative or by one disinterested person. The address of the witness should also be stated. The letter will clearly indicate that the request for a new application is being made solely to protect the insured's interests. Diary the case for 30 calendar days. If no reply is received from the insured, the application bearing the questionable signature will not be processed.

**f. When a question of the insured's competency arises in connection with a surrender application, take the following action:**

(l) Request the Disability Determination Unit to determine whether the insured is competent or incompetent. Include type and amount of pending disbursement in the request.

(2) The Disability Determination Unit will return the case with the insurance folder for further processing after determination is made.

g. The computer will not process cash surrenders in the following types of cases:

(1) The how paid code is l or 5.

(2) There are more than two policies and an insurance overpayment lien exists on any of the policies.



(3) Policy to be surrendered is on 724 waiver.

(4) A pending transaction exists for policy to be surrendered, or there is a pending transaction not identified by policy number.

(5) Life or policy is frozen on account to be surrendered.

(6) Any case where application is submitted after expiration of 31-day grace period. The 46- or 61-day rule is not applicable.

(7) Unearned premiums are to be included in surrender settlement, and the TDIP fund is different from the policy fund.

(8) Master record indicates other indebtedness or incompetency.

(9) The application is for a partial surrender for cash.

(10) Deduction amount is not equal to the total premium. (How paid codes 3 and 6)

(11.) Deduction is not paying premiums on a month-to-month or l-month-in-advance basis. (How paid code 3 or 6)

(12) The policy is less than l year, and has no surrender value.

(13) The policy is 5-year level premium term.

(14) Account has off-tape indebtedness or statutory lien.

(15) Returned mail indicated.

(16) Action type indicates impending automatic surrender.

(17) Policy not in a multiple of $500.

(18) Dividend year is earlier than the effective date of surrender.

Next month due for TDIP is different from the i insurance next month due.

: When action is taken to initiate automatic processing and edits are not met, an RPO will be generated with a reason code in the 600 series.

h. All accounts, except allotment and DFB accounts, which are cash surrendered by automatic system processing, are immediately purged from tape. Allotment and DFB accounts are not purged immediately. Instead, the how paid code is automatically changed to l and the account frozen with a 953 CS diary pending receipt of the deduction discontinuance. When the discontinuance is received, the system will automatically delete the diary and generate a reason code 100 and/or 107 RPO for clerical analysis. All accounts which are manually cash surrendered are immediately purged from tape when the surrender is processed.

i. When a VA Form 29-1546 or 29-5772 is released to an insured, a self-addressed kraft envelope will be enclosed for his use. When the kraft envelope is returned by the insured, it will **be** selected and processed before the routine mail. All cash surrender applications will be handled on a priority basis.

9.02 PROCESSING REQUESTS FOR INFORMATION ON CASH VALUES

a. Information on the cash value of a policy is furnished the insured upon request or when the loan value of

the policy is being furnished.

**A.** **Change:**

**M29-1, Part II, Chapter 9. This Advance Manual Change is issued in conjunction with Advance Manual Change No. 18-83 in MP-6, Part II, Supplement No. 1.4, which expands the use of RPO Reason Code 644 to apply to cash surrender transactions rejected because of loan indebtedness exceeding $10,000. M29-1, Part II, which contains a listing of conditions under which the system will not process cash surrenders, is updated accordingly.**

B. Procedures: Page 9-2, add the following to subparagraph 9.01g:

**(20) Loan indebtedness exceeds $10,000.**

C. New or Revised

Insurance Forms:

None

**DISTRIBUTION:**

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



**b. [For computer system processing,] VA Form 29-323, [Disbursements,] or VA Form 29-8521, [Disbursements,] transaction type 603, [is prepared. Computation code 3 is entered in block 74 on VA Form 29-323 or in the RPO Req block on VA Form 29-8521. The computation date is entered in blocks 22-26 of VA Form 29-323 or the Postmark(Computation Date field on VA Form 29-8521. It is an AS OF date.]**

**c. [The computer system will make the necessary computations and generate a completed VA Form 29-5772, including the net cash and net loan values. The net cash value is the maximum cash value minus the indebtedness (loans, accumulated interest, premium shortages, liens, including overpayment liens on another policy of the insured). If the indebteness exceeds the loan value, zeros will be printed in the NET LOAN block.**

*[d. When any of the following conditions are indicated, clerical processing is required:*

**(l) There is a life or policy freeze.**

**(2) Level premium term insurance.**

**(3) Account has off-tape indebtedness or statutory lien.**

**(4) Incompetency is indicated.**

**(5) Insurance is lapsed including extended insurance.**

**(6) Day number cannot be calculated from input data.**

**(7) Policy not in force l year.**

**(8) Action type indicates impending automatic surrender.**

**(9) Returned mail indicated.**

**(10) Overpayment lien in effect on another policy of the insured.**

**(11.) Loan interest not capitalized.**

NOTE: If input is inserted into the computer system when any of the above conditions are on the master record, the input will be rejected and an RPO, reason code 611, generated for clerical pro processing.

**e. Clerical processing to provide information on the cash value of a policy:**

**(l) If the plan of insurance is 5LPT, or if a permanent plan policy has been in force for less than 12 months, a- FL 29-108 is prepared and released. On a permanent plan, the cash value at the end of the first policy year is included.**

**(2) If premiums are paid through or beyond the current premium month, compute the cash value as follows:**

**(a) Determine the period of time (years and months) the policy will have been in force from the effective date through the prospective premium month in which the cash surrender will be requested.**

**(b) Using the plan of insurance, the age of the insured on the effective date of the policy, and the years and months the policy will have been in force, obtain the fractional reserve value per $ l ,000 of insurance. (See par. 8.03e(2)(b) for list of manuals containing fractional reserve values.)**

**(c) Multiply the fractional reserve value per $ l ,000 of insurance by the thousands of insurance and add, if available, any dividend credit/deposit balance on the account. This is the maximum cash value.**



**(d) Subtract the indebtedness (loans, accumulated interest, premium shortages, liens, including an insurance overpayment lien on another policy of the insured). This is the net cash value.**

**(e) To compute the net loan value refer to chapter 8, paragraph 8.03.**

**(3) Where a form, MTST, or a dictated letter is released manually, the net cash value and the net loan value will be furnished.**

**(4) When it is necessary to process the cash value of paid-up insurance clerically, a VA Form 29-320, Request for Calculation, will be prepared and sent to the Actuarial Computers for computation.**

**(5) If there is Other indebtedness indicated, obtain amounts and types. Compute interest, when applicable, through the prospective date of cash surrender.**

**(6) If the insured is incompetent, a dictated letter will be released to the Chief Attorney of the appropriate regional office. The cash value available through the prospective premium month in which the cash surrender will be granted will be included in the letter.**

**(7) VA Form 29-5772 will be prepared and released in all instances where it is not indicated that a dictated letter or VA FL 29-108 is to be released. The insured's letter will be enclosed with the reply.**

**(8) If the insured requests additional information, the reply will be by dictated letter. If the insured's letter contains information of record value, it will be stamped Ready for File, signed, dated and sent to be filed in the insurance folder. Otherwise, it will be disposed of in accordance with Records Control Schedule VB-l.]**

9.03 PROCESSING FORMAL AND INFORMAL APPLICATIONS FOR CASH SURRENDER BY THE COMPUTER

**a. VA Form [29-323] or [ ] 29-8521 [is prepared] to initiate system processing of a cash surrender [ ].**

**b. When VA Form [29-323 is prepared] to initiate system processing of the cash surrender and the check is to be mailed to an address different from that in the master record, [ ] VA Form 29-322, [Disbursement] Address or Trailer Input, [will also be prepared]. When the address on the application is intended as an address change for [ j insurance purposes, [ l VA Form 29-5934, Change of Address for Insurance Purposes, [will be prepared] in lieu of VA Form 29-322. VA Form 29-8521 contains an area to be used when addresses are involved.**

**c. When action is not initiated [for] system [processing of the cash surrender] , [ j a request for an RPO [will be prepared] and [ j the master record [frozen.]**

**d. When preparing VA Form [29-323] or [ ] 29-8521 to initiate system processing of a cash surrender, transaction type 615 will be used only after reviewing the records to be sure that all of the following conditions are adequately covered:**

**(l) That overpayment lien on another policy will be paid from the proceeds of the cash surrender.**

**(2) That cash surrender may be processed under certain conditions even though there was loan activity within the last 20 days.**

(3) Overages of $25 or more or shortages in excess of 29 percent of a monthly 1?premium have been clerically validated on deduction accounts.

NOTE: If any of the above conditions are not involved, transaction type 605 will be used.

**e. After input documents are prepared to initiate system processing of the cash surrender, send with all material to the Voucher Audit Unit for review and verification.**





*f [Cash surrender of an endowment policy with both paid-up life and paid-up endowment additions will be processed as follows:*

**(l) To surrender the parent policy and both paid-up additions, VA Form 29-323, Disbursements, or VA Form 29-5886b, RPO (Insurance Record Printout), will be prepared using the appropriate transaction type (605 or 615) with computation code 1.**

**(2) To surrender the parent policy and the paid-up endowment additions, VA Form 29-323 or VA Form 29-5886b will be prepared using transaction type 605 or 615 with computation code 2. The paid-up life additions will remain on the master record. When an endowment policy is surrendered for cash, its paid-up endowment additions must be surrendered also.**

*g.] When the cash surrender is processed, the system will [generate] VA Form 29-332, Notice of Cash Surrender. [ ]The original is released [to the insured] by the Voucher Audit Unit and the duplicate is filed in the insurance folder.*

**9.04 MANUALLY PROCESSING FORMAL AND INFORMAL APPLICATIONS FOR CASH SURRENDER**

**a. Review the cash surrender application for acceptability.**

**b. If the RPO does not indicate Insured Incompetent or indicates Incompetent but no Guardian Appointed, or material in the insurance folder or accompanying correspondence indicates the insured is incompetent, or may be, send the material to the Disability Determination Unit for a decision.**

**c. If there is other indebtedness, obtain amounts and type. Withhold the necessary amount from the cash surrender value to offset the indebtedness.**

**d. If there is evidence of a Disbursement Pending, check the liability master record for the number and types of disbursement. Take necessary action to include the amount of such disbursements in the net amount payable.**

**e. If the insured has other policies in force, check for any outstanding insurance overpayment liens for the other policies. If a lien exists, deduct the amount of the lien automatically. Send a dictated letter to the insured advising him of the action taken. The letter will grant the insured the opportunity of returning the check.**





f. If the how paid code in the master record is 5 and/or there is an active disability award, release **a** dictated letter to the insured covering:

(I) The advisability of retaining the insurance and that the TDIP benefits will be discontinued by the cash surrender action.

**(2) The fact that h-may obtain a loan up to 94 percent of the cash value.**

**(3) That his application will not be processed unless he reaffirms ht- request.**

4 (a) If the request is reaffirmed, send the material to the insurance officer, or a designee, for final approval to

process the surrender.

(b) If approval is granted, process the surrender as prescribed.

g. If the insurance is in force under premium-paying conditions, check the amount and date of the last transaction.

(I) If the amount of the payment was less than $100 and less than 20 days have elapsed since it was made, and there is no history of dishonored checks; i.e., not more than one returned check within the last 2 years, process the application without delay.

(2) If the amount of the payment was $ 100 or more, and less than 20 days have elapsed since it was made, determine if payment was made by personal check. If so, withhold vouchering of the surrender check until bank clearance of the remittance is assured. Advise the insured about the delay and the reason therefore. If the remittance was not a personal check, process the application without delay.

h. Under NSLI, if the premiums are not paid through the premium month of surrender, check for Administrator's Decision 902 or dividend credits. If any, apply to the unpaid premiums. Under USGLI, a request will be honored anytime within 3 months from an unpaid premium, and the reserve value in this instance would cover the period through the day before the next premium was due.

**i.** If the how paid code is 2 (Reduced Paid-Up Insurance) or 4 (Extended Insurance), request the cash value of such insurance on VA Form 29-320, Request for Calculation, and attach to the RPO.

j. If dividends are due for the current and/or prior years, and for the months from the last policy anniversary date through the Value As Of Date (surrender date), compute the amount of all such dividends.

k. If annual interest is due on dividend credits and/or deposits but has not been added, compute and enter the amount due in the Interest Amount block of the dividend credit/deposit segment. If interest has been added but is not due, reverse the interest addition.

l. If interest has been added on the loan and/or lien beyond the day following the date through which the cash value is established, compute the amount of interest credit due.

m. If interest is due on a loan and/or lien, compute the amount due from the day after the loan and/or lien effective date, or the day after the anniversary date, whichever is later, through the day after the Value As Of

**Date. Enter the amount due in the Interest Amount block.**

n. If section 724 waiver is in effect, attach VA Form 29-320 to the RPO and send to the computers requesting a calculation of the pure insurance risk credits due through the Value As Of Date.

n. If processing a surrender on an allotment or DFB account, place the notation (Month-Year) included in , to indicate the last deduction taken into consideration when processing the surrender.

.

**p. If an informal application is acceptable, stamp, date and initial the application as below:**

Accept as Informal Application for Cash Surrender

(Date of Acceptance) (Initials of person authorizing acceptance)

Date Initials

Authority for acceptance is limited to the Chief, Policy Service Section or higher.

**g. If the application is approved, note the application approved, date and sign. A namestamp may be used in lieu of signature.**

**r. When the cash surrender is approved, VA Form 29-332 will be completed as follows:**

IDENTIFICATION SEGMENT:

**(I) The name and address of the insured should be entered in the space provided on the form, if check is to be issued to the insured. If check is to be issued to the insured's legal representative, enter (Richard Doe), Guardian for (John Doe).**

**(2) File Number. Enter file number including letter prefix.**

**(3) Policy No.-Prefix-Last 3 Digits. Enter letter prefix for policy number and last three digits of policy number.**

POLICY SEGMENT:

**(I) Date of Issue-Mo.-Day-Year. Enter month, day and year policy was effective.**

**(2) Amount. Enter face amount of insurance.**

**(3) Plan. Make entries as follows:**

**(a) If policy is being surrendered under premium-paying conditions, enter plan.**

**(b) If under extended insurance, enter EXT. INS.**

**(c) If reduced paid-up or paid-up endowment, enter Pd-up Life or End.**

**(4) Age. Make entries as follows:**

**(a) If surrendered under premium-paying conditions, enter insured's age at issue.**

**(b) If extended insurance, enter insured's age at date of lapse.**

**(c) If reduced paid-up life or reduced paid-up endowment, enter insured's age at effective date of such paid-up insurance.**

**(5) Amount Surrendered. Enter same amount as shown in Amount.**

**(6) Amount Retained. Enter NONE.**

**(7) Surrender Value. Enter surrender value.**



(8)Effective Date of Surrender-Mo.-Day-Yr. Enter date of surrender.

CREDIT SEGMENT:

(1)Plan changed from- _____ to- _____ . Leave blank.

(2)Reserve Value. Enter the amount of reserve calculated. ( j

(3)Difference in Reserve. Leave blank.
(4)Unpaid Dividends. Enter amount of unpaid dividends and dividend year(s) to which they are to be

charged.

(5)Unearned Premiums Plus Overage. Enter amount of all unearned premiums, and premium overages.

(6)Dividend Credit/Deposit. Enter balance shown in dividend credit/deposit segment.

(7)Interest Credit. Enter amount of interest earned on dividend credit/deposit balance(s).

(8)Pure Ins. Risk Credits. Enter amount of pure insurance risk credits and interest calculated.

(9)Total Credits. Enter total credits.

**DEBIT SEGMENT:**

(l) Policy Loan. Enter loan balance.

(2)Loan Int. to Date of Surrender or Change. Enter amount of interest computed.

(3)Lien Principal. Enter amount of premium and/or insurance overpayment lien(s).

(4)Lien Int. to Date of Surrender or Change. Enter amount of interest due on lien indebtedness.

(5)Unpaid Premiums. Plus Shortage to Date of Surrender or Change. Enter amount of unpaid premiums plus shortages.

(6)Difference in Reserve. Leave blank.

(7)Other. Enter amount of Finance Indebtedness, Service Department Indebtedness or Internal Revenue Service Indebtedness.

(8)Total Debits. Enter total debits.

(9)Net Amount Payable. Enter difference between amounts in Total Credits and Total Debits.

*9.05 PROCESSING REQUESTS FOR CANCELLATION OF APPLICATION FOR CASH SURRENDER*

a. Upon receipt of the request for cancellation, associate the request with the application for cash surrender and the insurance folder.

b. If cancellation of the application is approved, take action as follows:

(l) Enter Canceled per request dated _____ , on the application for cash surrender.



(2) File the request, after being stamped Ready for File, signed and dated, in the insurance folder with the application, if the insured did not, request return of the application.

(3) Void any preliminary action taken in processing the application.

(4) Notify the insured of the action taken.

**c. If the voucher has been released but the request for cancellation was mailed before the date of the voucher, request the insured to return the check when he receives it. The letter should contain the following statement:**

We wish to stress that the return of the deck representing the proceeds of the surrender will not in itself be considered as an obligation on the part of the Veterans Administration to set aside the surrender of the insurance.

**9.06 PROCESSING REQUESTS FOR SURRENDER CANCELLATION, WITH TD FORM 1664X, RETURNED CHECK NOTICE, ATTACHED**

**a. Upon receipt of the request for cancellation with TD Form 1664X attached,, associate with the application for cash surrender and the insurance folder.**

**b. If cancellation of the application is approved, take action as follows:**

(l) Enter Canceled per request dated _____ , on the application for cash surrender.

**(2) Punch holes, using a two-hole punch, at the bottom of the TD Form 1664X.**

**(3) On the reverse of the TD Form 1664X, place a impression showing the following information:**

**`v,**

Check is proper for cancellation.
El On-Tape Reason for Cancellation

**El Off-Tape (No input)**

For off-tape cancellations, indicate below the purpose for which check was originally issued:

Dividend_____ Cash Surrender_____ RO#_____
Year Other (Explain) XC#_____
Premium Refund
Policy Loan
SF 1098 Number _____ _____
Signature of Authorizing Employee

**(4) Complete the above-stamped impression by entering all necessary information except the SF 1098, Schedule of Canceled Checks, number.**

**(5) Prepare input documents to restore the account on the master record and to reverse debit and credit actions taken when the surrender was processed.**

**(6) Send the TD Form l664X, insurance folder and all supporting documents required for the cancellation of the surrender to the Voucher Audit Unit.**





**9.07 ESTABLISHING ACCOUNTS RECEIVABLE FOR OVERPAID CASH SURRENDERS**

**a. Overpayments in cash surrender transactions may result from:**

**(1) Premiums not paid to date of surrender due to premature stoppage of deductions.**

**(2) Error in calculation of reserve, unearned premiums, dividends, etc.**

**(3) Wrong date of surrender.**

**(4) Failure to deduct an outstanding indebtedness such as loan, lien, etc.**

**b. The procedure for establishing an Accounts Receivable indebtedness applies only where the insured has no other active policies in force. If there are other active policies, follow regular lien procedure.**

[9.08 PROCESSING SURRENDER FOR PAID-UP INSURANCE

**a. When paid-up insurance information is to be computed and released to the insured by the computer system, the following action will be taken:**

**(1) VA Form 29-323 or 29-8521, transaction type 603, is prepared. Computation code 2 is entered in block 74 of VA Form 29-323 or in the RPO Reg. block of VA Form 29-8521. The computation date is entered in blocks 22-26 of VA Form 29-323 or the Postmark/Computation Date field of VA Form 29-8521. It is an AS OF date.**

**(2) The computer system will generate a VA Form 298348, Information About Your Insurance, with the following completed paragraph:**

THE RESERVE OF_ON YOUR POLICY AS OF_____
LESS LOAN AND INTEREST OF_____ PLUS YOUR DIVIDENDS AND INTEREST OF _____
WILL PURCHASE PAID-UP INSURANCE IN THE AMOUNT OF_____

**(3) The loan and dividend data will be printed only when such segments are in the master record.**

**b. When any of the following conditions are indicated, clerical processing is required:**

**(1) There is a life or policy freeze.**

**(2) Level premium term insurance.**

**(3) Account has off-tape indebtedness or statutory lien.**

**(4) Incompetency is indicated.**

**(5) Insurance is lapsed (including extended insurance).**

**(6) Day number cannot be calculated from input data.**

**(7) Policy not in force 1 year.**

**(8) Action type indicates impending automatic surrender.**

*(9 ) Returned mail indicated.*

**(10) Overpayment lien in effect on another policy of the insured.**





**(11.) Loan interest not capitalized.**

**(12) How paid code is zero.**

**(13) RH contract.**

**(14) Endowment at Age 96 contract.**

NOTE: If input is inserted into the computer system when any of the above conditions are on the master record, the input will be rejected and an RPO, reason code 611, generated for clerical processing.

**c. Clerical processing to provide information on the paid-up value of a policy is:**

**(l) If the plan of insurance is 5LPT, or if a permanent plan policy has been in force for less than 12 months, a VA FL 29-108 is prepared and released. On a permanent plan, the paid-up value at the end of the first policy year is included.**

**(2) If the policy is eligible for surrender for paid-up insurance, a VA Form 29-320, Request for Calculation, will be prepared and sent to the Actuarial Computers for computation.**

**(3) Upon return of the VA Form 29-320, an MTST letter with a paragraph as provided in subparagraph a (2) above will be prepared and released to the insured.**

**(4) If the insured is incompetent, a dictated letter will be released to the Chief Attorney of the appropriate regional office. The amount of paid-up insurance available through the prospective premium month in which the surrender will be processed will be included in the letter.**

**(5) When the condition preventing the calculation of paid-up insurance is lapsed insurance (including extended insurance), action type indicates impending automatic surrender or how paid code is zero, a dictated letter will be prepared, explaining to the insured why the information cannot be furnished him.**

**d. When an acceptable application for paid-up insurance is received, the following action will be taken:**

**(l) If there is no change of address on the application, VA Form 29-323 or the RPO will be the input document. The transaction type is 665 and the returned check history code and the postmark date (cash surrender date) is completed. If the master record is frozen, the input will be rejected.**

**(2) If there is a change of address on the application, the Policy Service Clerk will prepare VA Form 29-323 or 29-8521. When VA Form 29-323 is used, VA Form 29-322, Disbursement Address or Trailer Input, will also be prepared. In addition to identifying information, the document will be prepared as stated in subparagraph a above. In addition, the address portion will be completed. The mail control block will be left blank.**

**(3) The computer system will generate a VA Form 29-8348 for release to the insured with the following paragraph:**

THE REQUEST TO SURRENDER YOUR POLICY IDENTIFIED ABOVE HAS BEEN APPROVED. THE RESERVE OF_____PLUS _____DIVIDEND DEPOSIT BALANCE (MINUS INDEBTEDNESS) WAS USED TO PURCHASE _____ (PAID-UP INSURANCE) OR (PAID-UP ENDOWMENT) EFFECTIVE _____- PLEASE ATTACH THIS INFORMATION TO YOUR POLICY AS A PERMANENT RECORD OF THIS CHANGE.

**(4) If any of the following conditions exist, the input will be rejected and an RPO, reason code 665, will be generated. Clerical processing will be necessary.**

**(a) Not a how paid 9.**





**(b) Pending transactions are on the master record for the policy being surrender for paid-up insurance.**

**(c) Temporary master record.**

**(d) Incompetent.**

**(e) Policy frozen.**

**(f) 5LPT or WL 745.**

**(g) Next month due not paid prior to submission of application for paid-up insurance.**

**(h) Reserve to be furnished by [Philadelphia VA Center Actuarial Staff (299)] for NSLI-RH or USGLI**

Endowment-at age 96.

**(i) Automatic surrender date.**

**(j) Returned mail bit on.**

**(k) Indebtedness exceeds reserve.**

**(l) Unable to calculate reserve.**

**(m) RPO generated for other reasons.**

**(n) Other indebtedness bit on.**

**(o) Dividends due for 2 years.**

**(p) Unable to convert effective date to binary.**

**(g) Interest adjustment on loan, lien, dividend credit/deposit.**

**(r) TDIP segment.**

**(5) If a refund is to be made due to unearned premiums or dividend credit, and it is to be mailed to an address other than the address on the master record, the case will be processed clerically.**

**(6) When an application is processed clerically, a VA Form 29-320 will be prepared and sent to the Actuarial computers for computation. When it is returned, the Policy Service [Technician] will have an [AT (automatic typewriter) letter prepared and release it to the insured with a completed VA Form 29-1546a, Notice-Surrender for Paid-Up Insurance Approved, enclosed.**

**(7) All cases processed mechanically or clerically, whether or not a refund is due, will be forwarded to the Voucher Audit [activity] for a special batch number. Cases will be routed to the Voucher Audit [activity] in two batches:**

**(a) All cases processed clerically will be sent with the insurance folder.**

**(b) All cases processed mechanically will be sent in a separate batch.**

## 9.09 APPLICATION FOR CASH SURRENDER OF LIMITED PAYMENT LIFE POLICY WITH ALL PREMIUMS PAID AND EARNED

*When an application for cash surrender of a limited payment life policy on which premiums have been paid and earned through the premium-paying period is received, the application will be processed as provided below:*

**a. When an informal request for cash surrender is received and the request expresses an urgent need for funds, it will be sent to the Policy Service Section for approval to accept it as an informal loan application. When**



approval is given, it will be processed for the maximum loan amount. A conservation type letter will be released to the insured, explaining that the maximum amount of loan has been granted instead of surrendering the policy. (VA Form 29-1546 will be enclosed for [the insured's] use should he or she prefer to surrender the insurance.) The letter will stress:

**(1) Surrendered insurance may not be reinstated or replaced;**

**(2) Loan and cash values will continue to increase if policy remains in force; and**

**(3) Dividends will be paid as declared on participating policies continued in force.**

**b. If the request does not indicate an urgent need of funds, process as follows:**

**(l) If applicable, release VA Form 29-5772 to the insured.**

**(2) If VA Form 29-5772 is not appropriate, a conservation type letter similar to that provided in subparagraph a above will be released, including a reference to any indebtedness that must be collected from the cash value. (VA Form 29-1546 and VA Form 29-1547, Application for Policy Loan, will be enclosed.)**

**(3) A diary will not be established since processing of the request is dependent upon the insured.**

**(4) If the insured renews the request for surrender, the effective date of cash surrender will be determined**

as follows:

**(a) If the request is renewed within 31 days from the date the VA Form 29-5772 or conservation letter was released, the effective date will be based on the date of the original request.**

**(b) If the request is renewed more than 31 days from the date the VA Form 29-5772 or conservation letter was released, the effective date will be based on the date of the current request.**

**(5) If the insured withdraws the request for cash surrender and applies for a loan, by formal application or letter, the effective date of the loan will be based on the date the loan check is drawn by the Treasury Department.**

**c. When a formal application is received, if in order, it will be processed without delay except when one of**

the following conditions is present:

**(I) Disability waiver is in force; or**

**(2) Claim for disability benefits is pending; or**

**(3) Total permanent disability benefits are being paid.**

**d. Upon receipt of an application for cash surrender and one of the exceptions as provided in subparagraph c above is present, the insured will be informed of the seriousness of the act and provided information on the valuable coverage he or she is losing. The surrender will not be processed unless [the insured] confirms he or she still wants the cash value of the policy.**

[9.10 PROCESSING CASH SURRENDERS WITHOUT INSURANCE FOLDER

**a. Upon receipt of an application for a cash surrender, formal or informal, which has been associated with an RPO, and there is no record of the folder or it is charged out, a search will be made to locate the folder. If it cannot be located within l workday, the material will be noted accordingly and forwarded to the Voucher Audit activity for processing of the cash surrender.**

**b. A search slip will be prepared showing the type of action pending and the date the material was forwarded for processing. The search for the folder will be continued.**





c. When the folder is located, it will be held until the material is

returned. If the material is received prior to locating the folder, it will

be held until the folder is located. When the material has been associated with the folder, the case (material and folder) will be returned to the unit that processed the cash surrender for review and any additional action necessary.

d. If the check is to be sent to an address that is different from the one of record, the signature of the insured on the application must be verified prior to processing.

e. In those instances when the signature of the insured must be verified and the folder has not been located, every effort will be made to obtain a microfilm print or photocopy of documents available to the local office bearing the insured's signature. Microfilm prints are available from the following sources:

(l) Beneficiary and option designations if beneficiary designation reel number is in the master record.

(2) Remittances.

f. If verification of the signature cannot be made, FTS (Federal Telecommunications System) may be used to contact the insured to authenticate the request. The application will be appropriately noted.

g. After action has been completed, a VA Form 3230, Reference Slip, will be noted in red, "SPECIAL MAIL- ATTACH FOLDER," attached to the material and routed to the Voucher Audit activity for review or Insurance Files Section for filing in the insurance folder, as appropriate.]





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## CHAPTER 10. MATURED ENDOWMENTS

10.01 GENERAL

**a. Settlement of the proceeds of a matured contract are payable on the maturity date of a:**

**(l) Twenty-Year Endowment.**

**(2) Thirty-Year Endowment.**

**(3) Endowment at Age 60.**

**(4) Endowment at Age 62.**

**(5) Endowment at Age 65.**

**(6) Special Endowment at Age 96 Plan.**

**b. If the account is on extended insurance (how paid 4) on any of the above policies and there is a pure endowment amount payable, it will be paid on the maturity date of the contract.**

**c. All other policies will automatically mature as an endowment when protection has been afforded through the end of the age shown on the mortality table.**

**d. When the final premium is not paid, it will be offset from the proceeds payable, provided Administrator's Decision 902 or dividend credits are not available.**

**e. [(Deleted by change 14.)]**

**f. When the system does not release a notice to terminate or change a deduction amount, an RPO reason code 916 will be generated. A VA Form 29-1588, Request for Allotment Deduction Change, on allotment accounts (how paid 6); VA Form 29-5926, Request for DFB Action, on deduction accounts (how paid 3); or a dictated letter on payroll accounts (how paid 8), will be prepared and [released] requesting the necessary change.**

**g. and h. (Deleted by change 6.)**

10.02 ((Deleted by change 14.)]

10.03 SYSTEM PROCESSING OF MATURED ENDOWMENTS

**a. All policies that mature as endowments, including those contracts that mature with pure endowment payable, will be paid under Option l (lump sum), without prior election of such option by the insured.**

**b. Four days before the maturity date of the policy, the system will:**

**(l) Insert Option l in the master record.**

**(2) Complete the accounting transactions, including those covering unpaid dividends for the current year.**

**(3) Delete the insurance master record.**

**(4) Establish an insurance pending award master record.**

**(5) Create the input documents needed to establish the award master record.**



(6) If the returned mail bit is not on, effect Payment of the endowment or the Pure endowment.

(7) If the amount Payable Is more than $2,500, generate a VA Form 29-5767, Matured Endowment This form advises the insured that if he or she wants to receive the Proceeds under an installment **option, [the] check should be returned for cancellation. On the reverse of the form he or she may designate a beneficiary to receive the unpaid guaranteed installments at death.**

(8) If the amount payable is $2,500 or less, generate a VA Form 29-8348, Information About Your Insurance, with the computer-printed message: We are pleased to tell you that your endowment policy has matured. A check representing the amount of the matured endowment will be sent to you in a few days.

**A.**

*(9) In addition, one of the following paragraphs is imprinted on the VA Form 29-8348 or 29-5767 when required:*

*(a) For How Paid 2 Accounts. The amount of the matured endowment shown represents the face value of your reduced paid-up policy.*

*(b) For How Paid 4 Accounts. The amount of the matured endowment shown represents the pure endowment value of your lapsed insurance. As provided in your policy, at time of lapse we used part of the reserve as a single premium to continue your protection with extended term coverage to the end of the endowment period. The balance was used to buy this pure endowment.*

*(c) For How Paid 5 Accounts-With TDIP. Benefit payments will continue on the total disability income provision as long as you are totally disabled, even though the insurance policy matured.*

*c. When a USGLI endowment policy has a total permanent disability award in force on the maturity date, the computer system will generate a VA Form 4-456, Insurance Award Record Printout, reason code 907, for clerical processing. The Insurance Claims Section will prepare a dictated letter for release to the insured, advising him or her of the maturity of the policy. The insured will also be advised to choose between taking the commuted value of the unpaid guaranteed installments or to continue the monthly payments under the total permanent disability award.*

[l

**10.04**

**RETURNED MAIL INDICATED**

*a. When an endowment policy is maturing and the returned mail bit is on the insurance master record, the system will process the matured endowment as outlined in paragraph 10.03a, except it will not effect payment of the endowment.*

*b. Thirty days after the pending award master record is created and input has not been inserted to authorize payment of the proceeds of the endowment, a VA Form 4-456, reason code 985, is generated. These RPO's on matured endowments are sent to the Policy Service Section for corrective action so payment of the claim may be initiated.*

*c. When the VA Form 4-456 is received in the Policy Service Section, the insurance folder will be requested so the clerk may determine why the claim is not being paid. When the latest RPO in the folder has the returned mail bit on, action will be taken as provided in paragraph 13.03, to obtain the current address of the insured. After all actions have failed to obtain a current address, the delayed award indicator will be turned on.*

*d. When the current address is obtained, a VA Form 29-462, Authorization for Insurance Payments, will be prepared and forwarded to the Voucher Audit (activity] for review. The form, when processed, will initiate payment of the matured endowment.*

**10.05**

## CLERICAL PROCESSING OF MATURED ENDOWMENTS

*a. There are conditions under which the system cannot process a matured endowment. These conditions are:*

*(l) Section 724 waiver (inservice).*

*(2) Other indebtedness [indicated].*

*(3) Incompetency or guardian indicated.*

*(4) Loan or lien interest capitalized beyond the maturity date.*





*(5) Deduction amount does not agree with total premium or premiums are being paid in arrears.*

*(6) One or more pending transactions, except transaction type 626.*

*(7) Final premium not paid or waived.*

*(8) Lien processing day number is equal to or later than maturity.*

*(9) Life and/or policy freeze.*

*(10) Insurance is paid to maturity, but TDIP is not paid to maturity.*

*b. When, at, the time of callup, the system is unable to process the matured endowment, it will generate an RPO, reason code 906. The Policy Service [Technician] will endeavor to clear the conditions that caused the system to generate the RPO. If he or she is able to clear the conditions, the system will process the matured endowment. If he or she is unable to clear the conditions, it will be necessary to clerically process the matured endowment.*

*c. A VA Form 29-5897a, Accounting Control Input Card [-ADP], or VA Form 29-8527, Accounting Control, transaction type 099 (reason code 03), and any other necessary input to clear all other segments will be prepared by the Policy Service [Technician] - Processing of the input documents will delete the insurance master record and cause a pending award master record to be established. The insurance folder and the input documents will be sent to the Voucher Audit activity for review.*

*d. In addition, if the RPO indicates incompetency or guardianship, the following action will be taken:*

*(I) The folder will be checked to see if a fiduciary has been appointed. A dictated letter with VA Form 29-5767 will be released to the Veterans Services Officer of the regional office having jurisdiction over the fiduciary, who will be advised of the amount of the matured endowment proceeds and requested to designate the proper payee.*

*(2) If a fiduciary has not been appointed, the Veterans Services Officer of the regional office having jurisdiction over the insured will be contacted by dictated letter, who will be advised of the amount of matured endowment, what is indicated in the insurance record and requested to designate the proper payee.*

*(3) If the Veterans Services Officer designates the fiduciary as the payee, a VA Form 29-462 will be prepared and forwarded to the Voucher Audit activity for review. The form, when processed, will initiate payment of the matured endowment.*

*(4) If the Veterans Services Officer designates a payee other than a court-appointed fiduciary; i.e., a legal custodian, including a VA [medical center] Director, [spouse], parent, or other person who is maintaining the insured, [a VA Form 29-462 will be prepared and forwarded to the Voucher Audit activity for review. The form, when processed, will initiate payment of the matured endowment.]*

*e. When all conditions have been cleared, the Policy Service [Technician] will prepare a VA Form 29-5767, if the endowment proceeds are more than $2,500, or VA Form 29-8348, if the [endowment] proceeds are $2,500 or less, for release to the insured.*

**10.06**

**INSURED REQUESTS INSTALLMENT PAYMENT**

*a. If the insured returns the check that represents payment of his or her matured endowment with the completed VA Form 29-5767, the check will be forwarded to the agent cashier for cancellation and the VA Form 29-5767 [will be forwarded] to the Policy Service [Technician] - The [technician] will acknowledge receipt of the check and take action to authorize*





Chapter 10 - Matured Endowments

**A. Change: M29-1, Part II, Chapter 10. This Advance Manual Change is issued to update the listing of conditions under which the system cannot process a matured endowment, so that it coincides with the description for RPO Reason Code 906 in MP-6, Part II, Supplement No. 1.4.**

**B. Procedure: Page 10-4, add the following to subparagraph 10.05a:**

**(11) indebtedness on endowment policy exceeds the reserve on the parent contract and paid-up addition exists.**

**(12) The how paid code is 4 (extended insurance) with a TDIP segment.**

**(13) The credits exceed the debits.**

**(14) The dividend rate field on a 626 pending transaction is blank on a "W" contract on extended insurance (how paid 4) with pure endowment.**

**(15) Both loan and lien segments exist on the policy.**

**(16) Overpayment lien exists on another policy.**

**C. New or Revised**

**Insurance Forms: None**

**Assistant Director for Insurance**

DISTRIBUTION:

| | |
|---|---|
| **335/29 92** | |
| **310/290** | **51** |
| **310/291** | **111** |
| **310/Library** | **1** |
| **2O3/SDA** | **2** |
| **CO/311D** | **2** |



**installment payments by preparing VA Form 29462 as outlined in MP-6, part III, supplement No. 2.5, paragraph 101.03. In addition, in the Remarks block of the VA Form 29462, the clerk will enter the following: Corrected VA Form 29462, initial check canceled.]**

**b. [The folder with the documents will be sent to the Voucher Audit Unit for their action.]**

**c. [(Deleted by change 6.)]**

**d. [(Deleted by change 6.)]**

10.07 MANUAL
PROCESSING OF RPO REASON CODE LATME

*a. If incompetency or guardianship is indicated on the master record and the status of a fiduciary is still pending upon receipt of RPO LATME, or in the event of specific instructions from the C to* withhold payment, the Policy Service Clerk will prepare:

*(I) A VA Form 29-5899b or 29-8529, transaction type 926, to insert a lump-sum settlement option code.*

*(2) A VA Form 29-5897a or 29-8527, transaction type 099, to delete the insurance master record.*

*(3) A skeleton VA Form 29-462, in duplicate. Numbered coding blocks will be completed to show file prefix and number, last three digits of policy number, name code and effective date-matured endowment (enter date of maturity). In remarks, show Matured Endowment, Fiduciary Information Pending, Do Not Voucher. Complete Date and Completed By blocks. Do not indicate a transaction type.*

*b. Returned mail and/or pending liability disbursement:*

*(I) When the first RPO LATME is received and all efforts to obtain a better address have been exhausted, take action to insert the lump-sum settlement option code and purge the account. A skeleton VA Form 29-462 will be prepared, showing file number, name code and effective date-matured endowment (Maturity Date). In remarks, show Matured Endowment, Do Not Voucher, Current Address Unknown. Complete Date and Completed By blocks. Do not indicate a transaction type.*

*(2) In all cases as outlined above, the insurance folder, input documents, VA Forms 29-462 and RPO's properly noted, will be sent to the Voucher Audit Unit.*

**10.08**

## LOAN/LIEN INTEREST BILLING ON MATURING ENDOWMENT ACCOUNTS

Loan/lien interest billing on an account that is due to mature within 25 days:

*a. Loan/lien anniversary date on or prior to maturity date.*

*(I) Prepare VA Form 29-5894a, Optional Segment Input, or 29-8525, Dividend/Loan/Lien, to update the loan/lien interest year and to add interest to the anniversary date of the indebtedness.*

*(2) Prepare VA Form 29-5892a, Policy Input, or 29-8530, Life/Miscellaneous, to lift the life and/or policy freeze from the master record.*

NOTE: The above action will cause the system to establish a callup code of 906. When the callup date is reached, the system will automatically process the endowment and pay proceeds, provided there are no exceptions, to prevent the automatic processing.

*b. Loan/lien anniversary date subsequent to maturity date:*

*(I) Prepare VA Form 29-5894a or 29-8525 to update the loan/lien interest year and to add interest to the endowment maturity date.*

*(2) Prepare VA Form 29-5892a or 29-8530 to lift the life and/or policy freeze from the master record.*

Note: The above action will cause the system to establish a callup code of 906 on the master record. when the callup date is reached, the system will generate RPO reason code 906 for clerical preparation of input to delete the insurance master record and pay the proceeds.

**M29-1 ,Part IIJanuary 15,1971**

**10.09**

## INTERNAL REVENUE SERVICE LEVY ON MATURED ENDOWMENT CONTRACTS

*a. Proceeds of a maturing endowment policy are subject to set off to satisfy an Internal Revenue Service levy against the person to whom such proceeds are payable.*

*b. Insert the Returned Mail indicator. This will serve to suppress authorization of the award.*

*c. A VA Form,. 29 5~99h ,.i 29-8529 will be prepared to insert the settlement option code. Also, prepare VA*

Form 29-5897a or 29-8527 and any other input, as required, to delete the insurance master record.

*d. A skelton VA Form 29462 will be prepared indicating under remarks, the type and total amount of indebtedness to be set off from the proceeds by the Operations and Input Section, Finance and Data Processing Division. VA Form 29462 will be noted under remarks, Returned Mail Indicator was used only to suppress authorization of payment. VA Form 29462, folder and associated material will be sent to the Voucher Audit Unit for review.*

*e. Care must be taken to assure deletion of the returned mail indicator from any remaining accounts for the same insured.*

*f. Insurance proceeds, though payable only in monthly installments, may be authorized to the Internal Revenue Service to satisfy a tax levy. It is prerequisite that the tax indebtedness is against a person(s) to whom the insurance proceeds are payable.*

**10.10**

## REQUEST FOR DELAYED PAYMENT OF ENDOWMENT PROCEEDS

*a. If the insured or a fiduciary requests that payment of a maturing contract be delayed, the Policy Service Clerk will take the following action:*

*(I) The insured or fiduciary will be advised by dictated letter that no interest will be paid on the delayed payment.*

*(2) VA Form 29-5896a, Life Input, or 29-8530 will be prepared to insert the Returned Mail indicator to suppress payment of the endowment proceeds.*

**(J**

*(3) VA Form 2~ 29 5899 r 29-8529 will be prepared to insert the settlement option code. VA Form 29-5897a or 29-8527 will also be prepared to delete the insurance master record.*

*(4) A skeleton VA Form 29-462 will be prepared. Indicate in remarks, Delayed Payment Requested, and date. Also note that Returned Mail indicator was used only to suppress authorization.*

*(5) The insurance folder, VA Form 29462 and associated material will be sent to the Voucher Audit Unit for review.*

*b. Care must be taken to assure deletion of the returned mail indicator from any remaining accounts for the same insured.*

**10.11**

## UNASSOCIATED COLLECTION ITEMS OF MATURING ENDOWMENT CONTRACTS

Miscellaneous Accounts and Service Unit.

*a. If an Unassociated collection item is identified with a matured endowment contract after the proceeds have been paid in one sum or installment payments have been started, and the remittance was postmarked 20 calendar*





**days, or less, before the maturity date and was equal to, or less than, the interest accrual from the last loan/lien anniversary date to date of maturity:**

**(1) Confirm that the payment was made and verify the details of setoffs made. VA Form 24-5851, Insurance Award Statement, and/or the RPO reason code 906 in the folder should reflect this.**

**(2) Note the RPO of refund action being taken.**

**(3) VA Form ~~4~-7O6, Notice of Refund, will be prepared to refund the amount of the remittance to the insured. Advise him)r her] of the refund and why it is being returned.**

**b. If an Unassociated collection item is identified with an account after a one-sum payment has been made or installment payments have started, and the remittance was either postmarked more than 20 days before the maturity date, or less than 20 days but in an amount greater than the interest accrual from the last loan/lien anniversary date to the insurance maturity date, the following actions will be taken:**

**(l) Confirm the status of the payment and that setoffs were made. VA Form 24 8~~5l and/or the RPO 906 in the folder should reflect this.**

**(2) SF 1017G, Journal Voucher, will be prepared debiting 1 remittance and crediting Policy**

**(3) A memorandum, in triplicate, will be prepared. Identify the memorandum as Amended MCP-Matured Endowment. Include the file number of the account, the type and amount of all debits and credits on original settlement. In a second column, show the correct debits and credits had the remittance been applied before authorization of payment, and the net difference.**

**(4) Cross-reference the memorandum on the RPO and stamp it Ready for File, sign, date, and file The triplicate copy in the insurance folder.**

**(5) Advise insured why the adjustment is being made.**

**(6) The insurance folder, SF 101 7G, and original and duplicate copies of the memorandum will be sent to the Accounting Section, Finance and Data Processing Division.**

10.12 ERRONEOUS SETOFF

When an erroneous setoff has been made for the proceeds of a maturing endowment: for example, $275 deducted from face of insurance for loan interest instead of $27.50, this results in either a reduced one-sum payment of the proceeds or an excessive reduction in the face of the insurance, which, in turn, reduces the amount of the monthly payments to the insured.

**a. Verify from the folder how the proceeds are being paid (lump sum or installment), and the amount of erroneous setoff. VA Form 2 5851 and RPO 906 in the folder should reflect this.**

**b. A memorandum, in triplicate, will be prepared. Identify the memorandum as Amended MCP-Matured Endowment. Include full details of the set off made and the amount which should have been made and the net difference.**

**c. The memorandum will be cross-referenced to the RPO in the folder and the triplicate copy will be stamped Ready for File, signed, dated and filed in the insurance folder.**

**d. The insured will be advised the reason for the adjustment.**





*e. Send the insurance folder and original and duplicate copies of the memorandum to the Accounting Section, Finance and Data Processing Division.*

**10.13**

**REQUESTS FOR COMMUTED VALUE OF UNPAID INSTALLMENTS**

*a. Requests for the commuted value of unpaid installments on matured endowment contracts, when received in the Insurance Division, will generally be processed without an insurance award RPO. When necessary, the request will be referred to Operations and Input Section to secure award RPO. A VA Form 29-462 authorizing the payment of commuted value will be prepared as outlined in MP-6, part III, supplement No. 2.5, paragraph 101.04.*

*b. Correspondence, other than requests for commuted value, relating to payment of proceeds of a matured endowment contract received after the maturity and release of VA Form 29-462, is a responsibility of Finance and Data Processing Division.*

**10.14**

## PROCEEDS APPLIED TO PAY INDEBTEDNESS OR PREMIUMS ON ANOTHER POLICY

*a. When a request is received from the insured to apply all or part of the proceeds of his [or her] maturing endowment policy to pay an indebtedness and/or premiums on another policy and the request is received prior to automatic payment of the endowment by the computer system, action will be taken to process the request as follows:*

*(I) VA Form 29-5896a, Life Input, or VA Form 29-8530, Life/Miscellaneous, transaction type 080, will be prepared as input to insert the returned mail bit on the master record to suppress authorization of the award.*

*(2) VA Form 29-323, Disbursements, or VA Form 29-8529, RPO/Reinstatement/Status, transaction type 926, will be prepared to insert the settlement option and, when necessary, the number of installments certain.*

*(3) VA Form 29-5892a, Policy input, or VA Form 29-5886b, Insurance Record Printout, transaction type 082, will be prepared to freeze the record. VA Form 29-5894a, Optional Segment Input, or VA Form 298525, Dividend/loan/lien, transaction type 085 for loan or 086 for lien, will be prepared to delete the indebtedness on the maturing policy.*

*(4) VA Form 29-5897a, Accounting Control Input Card, or VA Form 29-8527, Accounting Control, transaction type 099, will then be prepared to delete the freeze and purge the master record.*

*(5) VA Form 29-462, Authorization for Insurance Payments, transaction type 499, will be completely prepared. Under? remarks the type and total amount of indebtedness to be set-off from the proceeds will be indicated.*

*(6) The input documents, the insurance folder and the VA Form 29-462 will be forwarded to the Voucher Audit [[activity] for review and release of the input documents.*

*(7) The Voucher Audit [activity] will hold the insurance folder and VA Form 29-462 for 2 days. If the input documents are rejected, the insurance folder and VA Form 29-462 will be obtained from the Voucher Audit [activity] and the input documents corrected. The input will then be processed as outlined above.*

*(8) When input to insert the returned mail bit on the master record is processed, it is shown on all contracts of the insured. Action will be taken to delete the bit from any contracts continuing after the endowment contract is purged.*

*b. The Voucher Audit [activity] will release the VA Form 29-462 to the Operations and Input Section after it is determined that the input documents have been processed through the computer system.*



[10.15 PROCESSING MATURED CONTRACTS PAYABLE OUT OF BALANCE CASES

**a. When an insurance master record is deleted from tape because of matured endowment, an award pending master record is established.**

**b. When an out-of-balance condition for the MCP account occurs and the insurance master record has been purged, the Policy Service Clerk will take the following actions:**

**(l) Prepare VA Form 29-462, in duplicate, as outlined in MP-6, part III, supplement No. 2.5, paragraph 101.03. In remarks explain the reason for the out-of-balance condition. It is not necessary to show the control accounts involved.**

**(2) If MTC (Miscellaneous Transaction Control) rejects are also received, they will be processed by use of FL**
**29-652.**

**(3) Forward the insurance folder, VA Form 29-462 and all other related material to the Voucher Audit activity for review.]**

Chapter 10 - Matured Endowments

**A. Change: M29-1, Part II, Chapter 10. This Advance Manual Change is made in conjunction with Advance Manual Change 14-84 in MP-6, Part II, Supplement 1.4, which introduced RPO reason code 3LNME. The generation of this RPO gives the Insurance Operations Divisions an opportunity to anticipate cases in which loan indebtedness in excess of $10,000 may cause delay in the payment of endowment proceeds because of space limitations in the loan principal and interest fields of the award pending master record.**

**B. Procedure: 1. Page 10-i, add the following as the last entry in the Table of Contents:**

10.16 ENDOWMENT POLICY MATURING WITH OUTSTANDING LOAN INDEBTEDNESS EXCEEDING $10,000 10-10a.

**2. Page 10-10a, add the following as paragraph 10.16:**

10.16 ENDOWMENT POLICY MATURING WITH OUTSTANDING LOAN INDEBTEDNESS EXCEEDING $10,000

**a. The loan principal amount field on the award pending master record cannot contain more than six digits. The loan interest amount field cannot exceed five digits. If the total loan principal on the date of maturity is greater than $9,999.99 and/or the loan interest is greater than $999.99 the policy must be split before the proceeds can be paid.**

**b. To prevent delay in the payment of such cases, an RPO with reason code 3LNME will be generated in November for every endowment policy scheduled to mature during the following calendar year for which there are two loans on tape and an indication of off-tape indebtedness. If the total loan indebtedness can be expected to exceed $10,000 at the time of maturity, the policy should be split so that an award pending master record can be properly established and the proceeds paid when the policy matures.**



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

**A**

**ROBERT W. CAREY**

**Assistant Director for Insurance**

DISTRIBUTION:

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| **310/290** | **51** |
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**September 13,1976**

**M29-1, Part**

**Change 13**

# CHAPTER 11. LIENS

## SUBCHAPTER 1. ON-TAPE LIENS

### 11.01 GENERAL

**a.**

**Administrative liens are established for premium and insurance overpayment indebtedness under the conditions outlined in M29-l, part I, chapter 9.**

**b.**

**Premium and insurance overpayment liens on active insurance accounts are maintained on the master record with the exception of 304, 305, 306 statutory liens. Payments are applied and receipts are released by the system. Action to compute and release bills for annual interest is also accomplished by the system. However, not more than one lien can be maintained on the master record at one time. When a lien on tape is liquidated and the master record indicates there is other indebtedness, the system will generate a record printout, reason code 085, for clerical insertion of the off-tape lien.**

[c. In any case when the insurance is in force no effort will be made to determine whether the 1948 and/or 1951 dividend has been paid or if the amount paid was correct. This includes cases when terminal actions are being taken; i.e., death cases, cash surrenders, matured endowments.

**d. No receivable or lien will be established if at the time of an audit the date of discovery of an overpayment is 6 years or more after the date of payment regardless of the dividend year involved.**

**e. Outstanding liens established prior to this change in policy when the overpayment cannot be identified by documentary proof, such as a photocopy of a canceled check, and satisfactory arrangements to recover the overpayment have not been completed, may be written off without any further notice to the insured. The reason for the write-off will be given as uncollectible, not legally supportable.**

**11.02**

**ESTABLISHMENT OF LIENS**

a. A premium lien is established only if the policy on which the indebtedness rose is active. If a premium lien arises on an inactive account, the insurance folder will be flashed to show an indebtedness does exist but a lien account will not be established.

**b. If the insurance overpayment indebtedness lien is less than $1, or if the premium indebtedness lien is less than $1 and does not equal or exceed 90 percent of a monthly premium:**

**(1) Prepare VA Form 29-5899, Request for Record Print Out, or VA Form 29-8529, RPO/Reinstatement/Status.**

**(2) Examine the RPO to determine status of the policy. If there is no lien on the master record, enter all data pertinent to the lien in the lien segment of the RPO, including the authority and reason for establishment.**

**(3) Prepare VA Form 29-5894a, Optional Segment Input Card, or VA Form 29-8525, Dividend/Loan/Lien, transaction type 006, to insert the lien in the master record.**

**(4) Prepare other input documents to credit account(s) on which the lien arose, if the account cannot be credited on the document inserting the lien.**

**(5) Prepare VA Form 29-5894a or 29-8525, transaction type 086, to delete the lien and transfer the amount to the variance account.**

**NOTE: Steps (3), (4) and (5) are accomplished for accounting purposes only.**

(2) Prepare and attach VA Form 29-320, Request for Calculation, if appropriate, to the RPO requesting recalculation of the amount and period of extended insurance. Upon return of the forms, prepare a corrected VA Form 29-389c, Notice of Extended Term Insurance.

(3) Prepare the necessary input documents to adjust the master record:

(a) VA Form 29-5892a, Policy Input, or VA Form 29-8522, Policy, transaction type 082, will be prepared to reduce the amount of extended insurance.

(b) VA Form 29-5892a or 29-8522, transaction type 072, will be prepared when no pure endowment is payable, to change the date on which extended insurance will expire.

(c) VA Form 29-5893a, Premium Input, or VA Form 29-8523, Premium/TDIP, transaction type 083, will be prepared when it is necessary to remove or reduce the amount of pure endowment payable; or credit the premium offset account when that is the account on which the lien arose; or to debit account 33 and credit account 39 for the amount needed to repay the lien.

(d) VA Form 29-5894a or 29-8525, transaction type 006, will be prepared to insert the lien on t d if possible at the same time, to credit the account on which the lien arose.

(e) VA Form 29-5894a or 29-8525, transaction type 086, will be prepared to repay the lien from reserve.

(f) VA Form 29-5897a, Accounting Control Input Card, or VA Form 29-8527, Accounting Control, transaction type 089, will be prepared to debit account 33 and credit account 39 for the amount of the lien, when that action could not be taken on VA Form 29-5893a, or to credit the account on which the lien arose, when that action could not be taken on another input document.

(g) VA Form 29-5895a, Pending Transaction Input Card, or VA Form 29-8526, Pending Transaction, transaction type 098, will be prepared to delete a pending transaction for pure endowment dividends, if there is one on tape.

(h) VA Form 29-5895a or 29-8526, transaction type 008, will be prepared to reinsert a pending transaction for dividends which may become due on a reduced amount of pure endowment, if any.

*NOTE: When a recomputation of extended insurance is made to pay a lien which occurred prior to the date of lapse, an overpayment of dividend may result due to the reduced amount of ex tended insurance. The amount of this lien will be inserted in the master record in accordance with procedure as outlined in this chapter.*

(4) Route insurance folder with all forms attached to the Voucher Audit Unit for review of action taken and r to the Correspondence Clerk for release of a dictated letter and corrected VA Form 29-389 c to the insured.

## 11.03 INITIAL LIEN LETTER

**The initial lien letter to the insured will be composed to suit the individual case. Using the following guidelines, the letter will include:**

**a. How and when the indebtedness occurred and the necessity for immediate repayment in full or in partial payments.**

**b. It will explain that he may authorize the use of all or part of any existing credits toward repayment of the indebtedness. If the dividend option is credit, care should be taken to make sure that the insured is not encouraged to change the option and that it will be to his advantage to repay the indebtedness as soon as possible to avoid interest charges. The insured will also be advised that if the indebtedness is not repaid, it will be deducted from any future dividends or at time of settlement.**

*NOTE: No mention will be made of the 1-year interest-free period or the rate of interest.*

*11 .04 INITIAL LIEN LETTER RETURNED AS UNDELIVERABLE*

Upon receipt of the initial lien letter returned unclaimed, with RPO and insurance folder attached, action will be taken in accordance with the following:

a. If address on letter is different from that on RPO, remain letter to address on RPO and prepare the following input documents:

(1) VA Form 29-5894a or 29-8525, transaction type 086, to change the effective date of the lien.



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CHAPTER Il. %TFNS

A. CHANGE: M29-1, Part Il, Chapter 11. This change is issued to provide procedures for the establ~shitent and maintenance of off-tape liens that involve the recovery of five and eleven percent loan overpayinents. It also directs supervisory personnel to review the estabJish~ent of off-tape liens and to take appropriate remedial action when necessary.

B. PROCEDURE: Page 11-6~ delete subpar~graph 11.10 in its entirety an? substitute the attached rep1~ce~ert.

Page 11-7 and 11-8~ delete subparagraph 11.11 in its ertirc-ty and substitute the attached replaceuent.

C. NEW OR RFVISEi)

**INSURANCE**

**FORbiS: None**

OBERT W. CAREY
$ Assist~t't Director for nsurance

DISTRIBUTION:

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| 310/290 | 51 |
| 310/291 | 111 |
| 310/Library | 1 |
| 203/SDA | 2 |
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**i1.IC CFNRRAL**

**a. A record of the off-tape lien Bill be established and ~aintci'ine~ or 8 VA Forw 29-1696, Lien Record Card. Off-tape lien accounts will be establis1ied under the following conditions:**

(I) A lien segrnent currently exists on the Master Record, and at additional pre~iu~ or insurance overpayment indebtedness is found.

(2) The caster Record contains a paid-up addition seginent.

(3) A five or eleven percent loan was granted in excess of the TnaxiTPuT~ loan value.

**b. The existence of the off-tape lien is recorded on the Master Record by the insertion of the othei ii~~bt~dr.e~~ in~Iicator.**

**c. Al) accounting ~ctior's in connection with the off-tape lien are accomplished outside the system.**

**d. An off-tape lien to effect the recovery of a 5 or II percent loan overpayTrert will be charged an arnual interest rate of 5 or II percent, whicbevei is appropriate. No prior years adjustment `will be bade for interest charged at the 4 percent rate.**

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11.11 ESTABLISHMENT OF OFF-TAPE LIENS ON ACTIVE ACCOUNTS

**a. An off-tape lien will not be established if the amount of the insurance overpayment indebtedness or premium indebtedness is less than $1.00. An amount of less than $1.00 will be off set by the transfer of funds from the variance account.**

**b.** **If the amount of the overpayment or premium indebtedness is $1.00 or more, a VA Form 29-1696 will be prepared showing all pertinent inf ormation and the authority for the lien. Enter the type of lien, PREM, 0[1]PMT, 5 or 11 PERCENT LOAN o'PMT and appropriate interest rate to be charged for each lien.**

**c.** **Prepare VA Form 29-1610, Transfer Worksheet, in duplicate. Debit off-tape lien and credit the appropriate two-digit ADP general ledger account number.**

**d.** **A lien letter will be released informing the insured of the overpayment. The letter should be forceful and require that the full amount of the overpayment be returned in a lump sum.**

**e.** **Except for eleven percent interest bearing liens, the lien effective date will be the same as lien letter release date.**

**f.** **If the lien was established to effect the recovery of an eleven percent loan overpayment, the insured will be allowed an interest-free period of 31 days from the date of the letter if he returns the full amount of the overpayment. If he does not return the overpayment amount within the 31-day period, the 11% interest will revert and begin to accumulate from the effective date of the lien.**

**g.** **A 45-day no freeze diary will be established from the date of the lien letter. If no response has been received, a second lien letter should be released. This letter will provide a repayment schedule. The suggested monthly payment amount will be taken from the table furnished in M29-1, Part II, Chapter 33.O3H. If the lien is an 11 percent overpayment lien, the total amount of the 11 percent indebtedness (on-tape loan plus off-tape lien) will be combined to determine the monthly repayment amount.**

**h.** **Forward lien record card, input documents, if any, and VA Form 29-1610 to the Voucher Audit Unit if an internal control batch number is required on input document(s); otherwise send input documents directly to the Data Processing Center.**

**i.** **Insert Transaction Type 080 to record other indebtedness indicator on the RPO.**

**j.** **When an insurance account contains both an off-tape lien and an off-tape loan, the presence of the other indebtedness bit and the 959 diary together on the master record effectively mask the existence of the off-tape lien. In order to reduce the possibility of overpayment on w policies with both off-tape lien and off-tape loan indebtedness, the following control procedures will be followed:**

,.

(1) The message "off-tape loan exists" should be written on all off-tape lien record cards associated with any file number which has one or more off-tape loans.

(2) A 959 diary, with the diary message "lien off-tape,[1], should be established for all accounts with both lien and loan indebtedness off-tape. The call-up date should be 30 days prior to the lien anniversary date.

(3) Reason Code 959 RP0s will continue to be generated based upon the off-tape loan and lien diary call-up dates. This will enable us to conf irm the validity of each diary against the off-tape indebtedness record. The loan screen or off-tape lien record card should be

examined before the 959 diary is updated. The 959 RPos generated on the lien call-up date should also prompt lien interest billing.

(4) If the off-tape loan indebtedness is liquidated or reinserted into the master record, the off-tape loan message on the lien record card(s) should be removed. Likewise, if the off-tape lien indebtedness is liquidated or inserted into the master record, the off-tape lien message should be removed from the off-tape loan inquiry screen(s). The appropriate 959 diary should also be deleted.

k. If credits are available toward repayment of the lien, prepare appropriate input document to delete the credits from the master record and credit account 52. Also, prepare VA Form 29-1610 to debit account

a 52 and credit off-tape liens. If application of credits reduces the off-tape insurance overpayment lien to less than $1 and a premium lien to less than $1, the off-tape lien clerk must prepare a VA Form 29-1610 to transfer balance to the variance account.

**l. When it is necessary to correct the paid dividend segment on the master record and establish an off-tape lien, prepare the following:**

(1)

VA

Form 29-394, Dividend Transaction Input Card, or VA Form

29-8528,

Paid Dividend/Dividend History, transaction type 646; debit
**account 52 and credit the proper dividend fund.**

**(2) VA Form 29-1610; debit policy liens and credit Undistributed Insurance Disbursements.**

**(3) VA Form 29-1696, making the routine entries, and in addition, show in the Remarks space, VA Form 29-1610, and date.**

**m. All the material will be routed to the youcher Audit Unit for review and assignment of the appropriate control batch number. The VA Form 29-1696 will be filed in the off-tape lien file in the Miscellaneous Accounts and Service Unit.**

**n. All off-tape lien establishments will be routed through the unit supervisor for final review. In addition, liens that are established for amounts in excess of $250 or for recovery at the 11% annual interest rate, should be routed through the Office of the Chief, Policy Service Section, for appropriate remedial action.**



**11.11 ESTABLISHMENT OF OFF-TAPE LIENS ON ACTWE ACCOUNTS**

**a. If insurance overpayment indebtedness is less than $1~ or if the premium indebtedness is less than $1 and does not equal or exceed**

**90 percent of a monthly premium, and there are no credits available to reduce or repay the lien, the following action will be taken:**

**(I) Prepare VA Form 29-1610, Transfer Worksheet (1nterfund/Intrafund)~ to t sfer the amount of the indebtedness to the variance account.**

( y In the Pending Transactions portion of the RPO, enter amount of debtedness, how and when it occurr~ie,and the date the VA Form 29-1610 was prepared. The VA Form 2y6lO will be noted posted.

**(3) A~er~tiie lien has been established and the documents prepared,,a4eview of the account will be made by an authority hi~e5 than the Policy Service Technician. The VA Fon~~ 29-1610 will be forwarded to the ADP Unit for scheduling.**

**(4) File RPO in insuTance folder and return folder to file.**

**7'**

*y*

**b. If premium indebted'n~s is less than $ 1, but equals,b? exceeds 90 percent of a monthly premium, or if premium (~r insurance ov~~~ni~~t indebtedness is $1 or W~re~ action will be taken as follows:**

**(l) Prepare VA Form 9-1 696s~~wing all peftinei)t4nformation. Enter the type of lien, PREM or O'PMT and the dividend year, if invo1ved,inthe~thority for~~n block. The VA Form29-1696 will be held in a 5-workday**

hold file. 7

**(2) In the Pending Transactions portion the RPO, enter the amount of indebtedness, and the date the VA Form 29-1696 was prepared.**

**(3) If credits are available toward re~~ment'b~ the lien, prepare appropriate input document to delete the credits from the master record and credit account 5- Also, prepare VA Form 29-1610 to debit account 52 and**

**credit off-tape liens. /7**

**(4) If application of credits re,dbces the off-tape insura ce overpayment lien to less than $ l and a premium lien to less than $ l and less than `9-0 percent of a monthly p"i':mium, the off-tape lien clerk must prepare a VA Form 29-1610 to transfer balan,,e~ to the variance account.**

**(5) After application of `credlts, if a premium or insurance ove ayment lien balance is $1 or more, or if a premium lien balance is frss than $1 but amounts to 90 percent or ore of a monthly premium, route the insurance folder, with RPO~ to the Correspondence Clerk for prepar ion of the lien letter as outlined in paragraph 11.03. The latter will also include information about the prior lie**

**(6) When the lien letter and folder are returne rom the Correspondence erk, the lien letter will be dated. A 45-day no-free/e diary will be established from the ate of the lien letter. Th date of the lien letter**

**will be entered in the \Aen Effective Date block on VA Form 9 1696 and released with han -prepared VA Forms 29-369 and 29.369h.~The green copy of the lien letter will be stamped Ready for File and ed in the insurance folder. The folder wi(i be retumed to file.**

(7) pare SF 1017-G to transfer the amount of indebtedness from premium to lien pr cipai.

(8), Prepare VA Form 29-5896a, Life Input, or VA Form 29-8530, Life/l'1iscellaneous tran ction type 080, to re o'rd other indebtedness on the master record.

**9) Forward lien record card, joumal voucher, input documents, if any, and VA Form 29-1610, f any, to ADP Control activity through Voucher Audit Unit if credit on master record is involved; otherwise, se inputs documents directly to the data processing center.**





(4) The notation Int. Free will be entered in the Accumulated Interest block.

(5) A payment in the exact amount of the lien balance will be posted to lien principal and a zero balance shown on the lien card.

(6) When a llen is liquidated, the lien card will be closed out and the following action taken:

(a) Prepare a VA Form 29-5896a or 29-8530~ transaction type 080, to delete the Other Indebtedness indicator from the master record.

(b) Review all entries on the lien record card, initial, date and file in the current closed-out lien record card file.

(c) After monthly reconciliation, forward lien record card for filing in the insurance folder. Closed-out lien record cards on XC-cases will be filed in the Closed XC-File.

b. Posting to the Lien Record Card

(l) VA Form 29-1610 will be received from the ADP Control activity for posting to the lien record card.

(2) When a payment is posted to more than one policy, the form will be noted to show the amount posted to each policy.

(3) The VA Form 29-1610 will be stamped Ready For File, initialed, dated and filed in the insurance folder.

c. Processing Uncollectible Checks. Upon receipt of an uncollectible check, used to pay or reduce the lien

**with VA Form 29-5899, take the following action:**

(1) Post the debit entry to the lien record card.

(2) Prepare VA Form 29-348, Debit Slip-Uncollectible Remittance, showing distribution; note Off-Tape and forward to the ADP Control activity.

(3) Prepare status of lien account on VA Form 3230 and forward, with the uncollectible check and other material, to the Correspondence Clerk for a dictated letter.

d. Posting From Miscellaneous Documents

(1) If the transaction was previously vouchered, make posting on the lien record card.

(2) If the transaction has not been previously vouchered, it will be entered on journal voucher.

e. Daily Reconciliation' of Lien Transactions

(1) After posting, lien record cards will be retained out of file until daily reconciliation is effected.

(2) Separate tapes will be prepared from the lien record cards on all debit and credit transactions posted each day. The tapes with posted documents will be sent to the Control Unit where similar tapes will be prepared from the documents and reconciled.

NOTE: If the volume is insufficient to warrant a daily reconcillation, it may be done-on a weekly basis.





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**J**
**M29-1, Part II**
**anuary 30,1974**
**Change 11**

we will take such action as is appropriate under the circumstances, including withholding any money due you as offsets against your indebtedness.

11.16 WRITEOFF OF CERTAIN ADMINISTRATWE LIENS

When a lien has been established for an erroneous payment or an overpayment of a dividend, it will be written off without contacting the insured, if (1) proof of payment, such as a photocopy of the canceled check, is not available, and (2) satisfactory arrangements to recover have not been completed. The reason for the writeoff will be given as: UNCOLLECTIBLE-NOT LEGALLY SUPPORTABLE.j

g
11-11

p~

**M29-1, Part II**

**Advance Manual Change No. 2-85** **May**

Chapter 12. Other indebtedness

**A.** **Change:** **M29-1, Part II, Chapter 12.**

**This change incorporates**

**of the Insurance Terminal System, Target System and**

**700 in the maintenance**

**and reconciliation of**

**indebtedness accounts.**

B. Procedure: Page 12-1 and 12-2, delete subparagraph 12.02 and substitute the attached replacement subparagraph 12.02.

Page 12-2, amend subparagraph 12.O3a(1) SF 1081 SF 1097.

Page 12-2, amend subparagraph 12.03c SF 1081 to read

C. New or Revised

**Insurance Forms:** **None**

**ROBERT W.**

**CAREY**

**Assistant**

**Director for Insurance**

**DISTRIBUTIO**
**N**

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

**a. Notices of finance indebtedness are delivered to the Miscellaneous Accounts and Service Unit (MASU). Notifications are usually received on VA Form 4-4619, Collection Due Code Sheets.**

**b. The MASU clerk will attempt to identify the insurance file number by performing a BIRLS inquiry using either the Insurance Terminal System (ITS) or the Target System. Finance indebtedness notifications which cannot be identified by an insurance file number or for which insurance is inactive, will be considered as uncollectible and returned to the appropriate Regional Office.**

**c. When a notice of finance indebtedness is identified with an in-force insurance record, the MASU clerk will have a VA Form 29-4878, Deduction Authorization-Finance Card and a VA Form 29-5896a, Life Input Card, keypunched by the Analysis and Control Division, DPC. Upon receipt of these documents in MASU, the clerk will use the VA Form 29-5896a to insert the other indebtedness indicator on the master record. The VA Forms 29-4878 will be filed in the active 29-4878 file by insurance number.**

**d. An annual reconciliation of finance indebtedness accounts will be accomplished by using the October 700 Run which generates the INDEBT RPO. The INDEBT RPO's are also used to reconcile other off-tape indebtedness. The VA Form 29-4878's will be matched against the INDEBT RPO's and processed as follows:**

**(1) For all in-force insurance records, the MASU clerk should access the Target System (M01 screen) to determine if the amount of the indebtedness agrees with the amount shown on the VA Form 29-4878. If they do not agree, the amount shown on VA Form 29-4878 will be adjusted to agree with the amount shown on the M01 screen.**

**(2) If the M01 screen indicates that the finance indebtedness has been paid, the clerk will withdraw the VA Form 29-4878 from the active file for disposal. If no other off-tape indebtedness exists, a Transaction Type 080 input will be prepared to remove the other indebtedness indicator from the master record.**

**(3) If no Reason Code INDEBT RPO was generated, view the ITS screen IO10 and IO40, and the Target screen MO1 to determine that both the insurance and indebtedness are still active. If both are active, insert the other indebtedness indicator on the master record.**

**(4) If the insurance record is inactive or no record in ITS, the indebtedness will be considered as uncollectible. The VA Form 29-4878 will be annotated uncollectible and routed for filing in the insurance folder if it contains evidence of collection activity. If there was no such activity, the VA Form 29-4878 will be disposed.**

**e. When notice of liquidation of finance indebtedness is reported by a Regional Office, the clerk will withdraw the VA Form 29-4878 from the active file and do the following:**

**(1) Screen the off-tape lien file, ITS screen I090 and the insurance folder to determine whether there is also an outstanding off-tape lien or loan, service indebtedness and/or notice of levy from the Internal Revenue Service. If no such other indebtedness exists, a Transaction Type 080 input will be prepared to remove the other indebtedness indicator from the master record.**

**(2) The VA Form 29-4878 will be filed in the insurance folder if it contains evidence of collection activity. If there was no such collection activity, the VA Form 29-4878 will be disposed.**



Chapter 12. Other Indebtedness

A. Change: M29-1, Part II, Chapter 12. This change incorporates the use of the Insurance Terminal System, Target System and ADP Run 700 in the maintenance and reconciliation of finance indebtedness accounts.

B. Procedure: Page 12-1 and 12-2, delete subparagraph 12.02 and substitute the attached replacement subparagraph 12.02.

Page 12-2, amend subparagraph 12.03a(1) SF 1081 to read SF 1097.

Page 12-2, amend subparagraph 12.03c SF 1081 to read SF 1097.

C. New or Revised

**Insurance Forms:** **None**

**ROBERT W. CAREY**

**Assistant Director for Insurance**

**DISTRIBUTION:**

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



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# CHAPTER **12. OTHER INDEBTEDNESS**

## SUBCHAPTER 1. FINANCE AND SERVICE DEPARTMENT INDEBTEDNESS

*12.01 GENERAL*

*a. Conditions under which finance indebtedness and service department indebtedness arise and the rules for recovery of such indebtedness are outlined in part I, chapter 9.*

*b. Finance indebtedness includes overpayments and illegal payments, not in connection with insurance,*

which were made to a veteran or his dependents under laws administered by the VA. These indebtednesses are maintained in the regional offices and are reported to the VA centers on a quarterly basis.

*c. Service department indebtedness includes allotment payments which were not supported by deductions from the insured's service pay.*

*12.02 FINANCE INDEBTEDNESS*

*a. Notices of finance indebtedness will be processed as follows:*

*(1) VA Form 4-4619, Collection Due Code Sheet, is received from the regional ice and delivered to*

**the In e insurance file number will be inserted on all VA Forms 4-4619 as they are identified by the index clerk. Wh all the forms have been indexed, they will be delivered to the scellaneous Accounts and Service unit.**

**(2) The VA** F **9, which were not identified by an insurance e number, will be withdrawn and** *considered as uncollectible. Miscellaneous Accounts clerk will request an RPO (Record Printout) for those VA Forms 4-4619 that have be identified by an insurance file n*

*(3) When the RPO's are received the insurance is found* ***to*** *be nonparticipating, the clerk will withdraw the VA Form 4-4619. The remaining rms will be delivered the Key Punch activity, DPC (data processing center), for preparation of s 29-4878, Dedu ion Authorization-Finance, and the VA Forms 29-5896a, Life Input Card, to insert the 0th Indebtedness dicator on the master record.*

(4) The *N/R* or *Uncollectible,* VA Forms 619, and an adding-machine tape for the reject items will be returned to the appropriate regional office.

(5) The VA forms 29-4878 will be filed in e active Form 29-4878 file by insurance number.

b. Annual reconciliation of VA Form 9-4878 will be as lows:

(1) Prior to the reconciliation in September of each year, new VA Forms 29-4878 will be prepared to reflect the new balance or any regional off ice change, and the file listed.

*(2) The file of VA* ***Form****s 29-4878 for NSLI accounts will be sent to the EAM (Electronic Accounting Machine) Section for processing as outlined below:*

*(a) The VA Forms 29-4878 will be reproduced into VA Forms 29-5896a.*

*l. The rejected VA Forms 29-5896a will be used to remove the matching VA Forms 9-4878. The listing will be amended by entering the notation, Uncollectible, next to each rejected item.*

2. The VA forms 29-4878 and the rejected VA Forms 29-5896a will be routed for filing the insurance in the insurance folder if they contain evidence of deductions from insurance disbursements for finance indebtedness . Otherwise, the VA Forms 29-4878 will be disposed of.





*(b) Listing of VA* ***Forms*** *29-4878 will be in claim number order by regional office* ***and*** *in triplicate as follows:*

| Data | From Card Columns |
|---|---|

| | | |
|---|---|---|
| Claim Number prefix (C) | | Emit |
| Claim Number | 25-32 | |
| **First Name** | 39-48 | |
| Middle Initial | 49 | |
| **Last** Name | 50-66 | |
| File Number prefix (V) | Emit **1** | |
| FV Number | 9-16 | |
| DO Number | **1-2** | |
| Appropriation Code | 7-8 | |
| Amount of Indebtedness | | 33-38 |
| Station Number | 3-6 | |

*(c) The triplicate copy of the regional office listing will be retained for control purposes. The original and duplicate copy will be forwarded to the appropriate regional office for processing and return to the insurance office.*

*(d) When notice of liquidation of finance indebtedness is reported by a regional office, either in an individual* ***letter*** *or in the annual reconciliation listing, the clerk will withdraw the VA* ***Form*** *29-4878 from the active file for disposal.*

*I. The off-tape lien file and insurance folder will be screened to determine whether there is also an outstanding off-tape lien, service department indebtedness and/or notice of levy from the Internal Revenue Service. If no such other indebtedness exists, VA Form 29-5896a or VA Form 298530, Life Miscellaneous, transaction type 080, will be prepared to remove the Other Indebtedness indicator from the master record.*

*2. The VA Form 29-4878 will be filed in the insurance folder if it contains evidence of deductions from insurance disbursements for finance indebtedness; otherwise, the VA Form 29-4878 will be disposed of.*

*12.03 PROCESSING REFUNDS TO REGIONAL OFFICES*

***a.*** *When amounts are collected for finance indebtedness due the regional office, the Policy Service Clerk will request the Miscellaneous Accounts and Service* ***unit to*** *furnish them the claim number, appropriation code, regional office number and the amount of the finance indebtedness. When the information is received the following forms will be prepared:*

41

*(1)* ***SF 1097,*** *Voucher and Schedule of Withdrawals and Credits, showing all pertinent information including the insured's name and appropriation.*

*(2) VA Form 29-5895a, Pending Transaction Input Card, or VA Form 29-8526, Pending Transaction, transaction type 098, to debit account 17 and credit account 52.*

*(3) VA Form 29-5800, Notice of Dividend Disposition, to notify the insured of the action taken.*

*b. All related material will be sent to the Voucher Audit unit for processing.*

*c. Upon receipt of the* ***SF 1097*** *in* ***the*** *Miscellaneous Accounts and Service unit, the clerk will post the amount being transferred to the regional office on the finance indebtedness card and reduce the amount of the indebtedness accordingly.*

12.04 SERVICE DEPARTMENT INDEBTEDNESS

*a. Notices of service department indebtedness will be honored only if the amount of the indebtedness is $5 or more, the insurance account is active and premiums are paid by other than an allotment.*

*b. When a service department requests assistance in recovering allotment payments which were not supported by deductions from the insured's service pay, request an RP0 and take the following action:*

*(1) If the insured is paying premiums by deduction from service pay, the request for recovery will be returned to the finance center of the appropriate service with a dictated letter. The letter will advise the service of the facts involved and will request that the department collect the indebtedness from the insured's service pay.*

*(2) In all other cases, if the indebtedness is less than $5, or if the insurance is inactive and no dividend is due, the request for collection will be returned with a letter of explanation.*

*(3) When returning a collection notice in accordance with subparagraph (1) or (2) above, the letter should include a statement that a charge for the indebtedness has not been placed against the insurance account.*

*(4) When a service department indebtedness is accepted for collection, the insured will be notified of the action. The other indebtedness indicator will be established on the master record. When these actions have been completed, the case will be recharged to the Miscellaneous Accounts and Service Unit where the following action will be taken:*

*(a) A flashcard will be prepared showing the insured's name, file and policy number, branch of service and the amount of indebtedness. (For ready identification the card used for this purpose should be of an opposite corner cut.) The flashcard will be filed in the Finance Indebtedness punched card file.*

*(b) At the time of the annual reconciliation of Finance Indebtedness accounts, a review will be made of the service department indebtedness cases and action will be taken in accordance with the following:*

*1. On inactive insurance accounts, the request for collection, together with any pertinent information on reduction in the amount of the indebtedness, will be returned to the service department unless the insured has made some repayment provision.*

*2. When review of the insurance folder shows that the policyholder has denied the indebtedness, and there is no evidence of subsequent confirmation of the indebtedness by the service department, the request for collection will be returned with any pertinent information.*

*3. When a collection notice is returned to the service department for any of the above reasons, the flashcard will be appropriately noted and filed in the insurance folder. The other indebtedness indicator will be deleted from the master record.*

12.05 PROCESSING REFUNDS **TO SERVICE** DEPARTMENTS

a. Prepare VA Form 4-706, Notice of Refund and Refund Work Sheet, for refund of any amount to the appropriate allotment office for a service department indebtedness. The following example illustrates the manner in which the address will be shown on the VA Form 4.706:

Example: Government Insurance Allotment Division
**Finance Center, U.S. Army**
**Indianapolis, Indiana 46216**
**SS #16266602 J.J. Doe**

b. Notify the insured of action taken.

(3) Dividends will be used to pay premiums in advance under the dividend *premium* option.

(4) The current dividend will not become due and payable under the *cash* or *deposit* option within 30 days from the date the TD Form 668A is received. In a case of this type, furnish the anniversary date of the policy for inclusion in the letter to the District Director of the Internal Revenue Service.

(5) The entire amount of dividend will be applied to repay premium, insurance overpayment or veteran's benefit indebtedness.

(6) No dividend will be payable because the policy is lapsed.

(7) If evidence of payment is presented by the insured within 90 days, delete the pending diary.

b. The Finance and Data Processing Division will return all copies of the TD Form 668A with a dictated letter to the District Director, Internal Revenue Service.

12.09 ESTABLISHING LEVIES

**If it is determined that the [levy] may be [processed], the Finance and Data Processing Division will be so advised and they will return part [31 of the TD Form 668A to the District Director, Internal Revenue Service. Processing the levy will be accomplished as follows:**

a. Levy **on Loan** Value. Where the levy is received on the loan value of a policy which is not lapsed, or within the grace period of an unpaid premium, action to honor the levy will be taken as follows:

*(1) Preliminary Action*

(a) A dictated letter will be prepared to inform the insured that the notice of levy has been received and that under the Federal Tax Lien Act of 1966, the VA is required to abide by the levy. The letter will also advise the insured that, unless he submits proof within 90 days from the date of the letter that the delinquent tax has been satisfied, a loan will be established against his policy and the amount payable will be sent to the Internal Revenue Service to apply on the unpaid tax. In addition, the letter will include the following facts:

1. Amount of loan (maximum loan value if required) that will be established as of the end of the 90-day period;

2. Interest on the loan will be charged at the rate of 5 percent a year;

3. If there is an existing loan and/or lien, the amount that will be payable to the Internal Revenue Service after the present loan and/or lien, plus interest, are deducted;

4. If unpaid at the time the policy matures, the amount of the loan, plus interest, will be deducted from the amount payable; and

5. At any time the loan indebtedness equals or exceeds the cash value, the policy will be canceled.

(b) A copy of the letter to the insured will be sent to the Internal Revenue Service, addressed to the Revenue Officer at the address shown on TD Form 668A.

(c) VA Form 29-5895a, or 29-8526, transaction type 008, will be prepared to insert the diary message INT REV LEVY and to freeze the record so that the proceeds of the policy may not be disposed of before the end of the 90-day period.

(d) VA Form 29-5896a, or 29-8530, transaction type 080, will be prepared to insert the Other Indebtedness indicator on the master record.

(e) Parts 2 and 3 of TD Form 668A will be returned in the insurance folder.



*(2)* ***Final Action.*** *At the end of the 90-day period, if the delinquent tax has not been satisfied, the Internal Revenue Service will follow-up on the notice of levy. Upon receipt of the follow-up notice, action will be taken in accordance with the following:*

*(a) When prior to the end of the 90-day period, the insured fails to pay a premium, and more than 31 days have expired since the due date of the premium in default, the cash value has been used to purchase extended term insurance under the automatic provision of the policy and there is no loan value on which the levy may apply, the Internal Revenue Service will be so advised.*

*(b) If the policy* ***is*** *not lapsed, or is lapsed but the grace period has not expired prior to the end of the 90-day period after service of the levy on the VA, the levy will be honored in the amount which the insured could receive on such 90th day as a loan on his policy (cash loan value less premium in de fault). The following action will be taken:*

*1. Necessary input documents will be prepared to establish the loan clerically (maximum amount if required);*

*2. VA Form 4-706, will be prepared for payment to the Internal Revenue Service.*

*3. VA Form 29-1547, Application for Policy Loan, will be partially prepared for record purposes, as follows:*

*a. In appropriate spaces, enter insured's name, file number, policy number and amount of loan.*

*b. In space for address, show Internal Revenue Service and the address given on the TD Form 668A.*

*c. In space for additional instructions, enter the notation, Loan automatically made under IRS levy. See copy of TD Form 668-A attached.*

*4. The VA Form 29-1547 will be stapled to part 2 of TD Form 668A and filed in the insurance folder.*

*5. The folder with all forms attached will be routed to the Voucher Audit Unit, Finance and Data Processing Division, for review of all actions and vouchering of amounts payable. The folder with part 3 TD Form 668A will be returned to the Insurance Division.*

*6. A dictated letter will then be prepared to advise the insured of the action taken and the amount and effective date of the loan. The letter will repeat the following information which was contained in the first letter:*

*a. Interest at the rate of 5 percent a year will be charged and, if not paid by the anniversary date, will be added to the loan principal;*

*b. When the policy matures, any unpaid indebtedness will be deducted from the amount payable; and*

*c. At any time the total amount of the loan indebtedness equals or exceeds the cash value, the policy will be canceled.*

*7. Part 3 (taxpayer's copy) of the TD Form 668A will be enclosed in the letter to the insured.*

*b. Levies **on Amounts Other Than Loan Value.** When a levy is against a dividend or an amount due the insured, other than the loan value, take the following action:*

*(l) VA Form 4-706 will be prepared for payment to the Internal Revenue Service.*

*(2) When the amount of a pending transaction is disposed of, VA Form 29-5895a, or 29-8526, transaction type 098, will be prepared to delete the pending transaction from the master record. Control account 52 will be credited as the amount will be disposed of off tape.*





*(3) Where the current dividend will be due and payable within 30 days from the date the TD Form 668A is received, VA Form 29-5896a or 29.8530 will be prepared, using transaction type 080, to insert the Other Indebtedness indicator on the master record.*

*(a) At the time the dividend becomes payable, VA Form 4-706 will be prepared for payment to the Internal Revenue Service.*

*(b) VA Form 29-5896a or 29-8530 will be prepared, transaction type 080, to remove the Other Indebtedness indicator.*

*(4) Part 2 of TD Form 668A will be filed in the insurance folder.*

*(5) The folder, with all forms attached, will be routed to the Voucher Audit [activity] , Finance [activity], for review of all actions and vouchering of amounts payable. The folder, with part 3 of TD Form 668A will be returned to the Insurance Division. A dictated letter will be prepared to advise the insured of the action taken. Part 3 of TD Form 668A will be enclosed.*

*12.10 PROCESSING TD FORM **2876,** REQUEST FOR VA INSURANCE POLICY DIVIDEND INFORMATION*

*a. TD Form 2876 will be used when the District Director of the Internal Revenue Service does not know the debtor's insurance file and policy numbers, or the anniversary date of the debtor's policy(ies), or where the insurance records are located.*

*(1) If the District Director knows where the debtor's records are located, he [or she] will mail the TD Form 2876 direct to the appropriate VA center.*

*(2) If he [or she] does not know the debtor's insurance file and policy numbers, or where the debtor's insurance records are located, he [or she] will mail TD Form 2876 in an envelope marked D0 NOT 0PEN IN **MAIL** R00M, to:*

Office 0perations Service [(032A1)1
Veterans Administration
Washington, D.C. 20420

*(3) Upon indexing and location of the records, the TD Form 2876 will be referred to the appropriate VA center.*

*b. Upon receipt of the TD Form 2876 in the insurance Division, a record printout will be obtained and reviewed to determine the status of the insurance and whether any dividends will be due and payable in cash or placed on*

*deposit on the next anniversary date of the policy(ies). Based on this determination, entries will be made on the TD Form 2876, below the caption, To Be Completed by Veterans Administration, as follows:*

*(1) If the debtor has one or more active participating policies on which dividends will be due and payable in cash or placed on deposit, enter in the Remarks block an appropriate notation Dividends payable in cash, or Dividends placed. on deposit. Also, complete the blocks for Policy* ***No.,*** *Anniversary Date of Policy and Dividend Payments Issued From.*

*(2) If the debtor has one or more active participating policies on which dividends will be applied to pay premiums in advance, or held as a dividend credit, enter in the Remarks block the notation, No dividends to be paid in cash or placed on deposit. Complete all other blocks except the one for Anniversary Date of Policy.*

*(3) If the debtor has one or more active nonparticipating (H, RH, [ ] J, JR or JS) policies, enter in the Remarks block the notation, Non participating policy(ies). Complete the Policy No. block but do not complete blocks for Anniversary Date of Policy and Dividend Payments Issued From.*

*(4) if the debtor has both active participating and nonparticipating policies, use an appropriate combination of the entries outlined in subparagraphs {l), (2) and (3) above.*

(5) If the debtor has one or more inactive policies, enter "policy(ies)_____(numbers)

not in force" in the Remarks
block.

*c. After being endorsed, TD Form 2876 will be returned to the address on the reverse side of the form.*



c. Prepare VA Form 29-5895a, or 29-8526, transaction type 098, to delete the pending transaction from the master record. Credit account 52 if the entire amount is disposed of off tape, either as payment of off tape lien indebtedness, or as a VA Form 4-706 refund. If any part is disposed of on tape, credit account 39.

d. Prepare VA Form 29-5895a, or 29-8526, transaction type 008, to insert a pending transaction for any amount to be refunded by the system.

e. If a dividend repays the entire indebtedness, prepare VA Form 29-5896a or 29-8530, transaction type 080, to remove the 0ther Indebtedness indicator from the master record.

f. Send the material to the Voucher Audit Unit, for review of all actions taken and vouchering of refunds. After vouchering, the input documents will be sent to the Data Control Unit, and the insurance folder will be returned to the file.

## **SUBCHAPTER 2.** TAX **LEVIES**

12.06 GENERAL

a. The law authorizes the Internal Revenue Service to levy upon the property of a taxpayer who owes delinquent taxes. This makes the rights to NSLI (National Service Life Insurance) and USGLI (U.S. Government Life Insurance) subject to levy.

b. The rules for honoring tax levies against Government life insurance policies will be followed as outlined in

**part I, chapter 9.**

12.07 PRELIMINARY PROCESSING

a. [If the levy is to be served against the loan value of a policy, the VA will receive] parts 2 and 3 of TD Form 668A, Notice of Levy, [ 1 from Internal Revenue Service [ ]. Part I of the [notice has been used by Internal Revenue Service to notify the insured of the levy. Upon receipt of the notice of levy, the Finance and Data Processing Division will forward part 2 of the notice to the] Insurance Division [for processing and will retain part 3 pending action by insurance personnel.]

b. [If the levy is to be served against the dividends of a policy that are payable to the insured, the VA will receive 3 parts of the notice of levy. Upon receipt, the Finance and Data Processing Division will sign and record the date and time of receipt on each part of the notice. Part l will be returned to Internal Revenue Service as soon as possible after the entries have been made. Part 2 will be forwarded to the Insurance Division for processing and, if appropriate, notifying the insured. Part 3 will be retained pending action by insurance personnel.

c. Upon receipt of the notice of levy in the Policy Service Section, the insurance folder and an RP0 will be obtained and reviewed to determine if the levy may be processed from any amounts becoming due on any policies of the insured.]

12.08 LEVY NOT ESTABLISHED

a. If the indebtedness cannot be recovered, parts 2 and 3 of TD Form 668A will be returned to the Finance and Data Processing Division with a memorandum stating the reason recovery cannot be effected, such as:

(1) The levy was received more than 31 days after the due date of an unpaid premium. In such cases, the cash value has been used to purchase extended term insurance under the automatic provision of the policy and there is no cash loan on which the levy may apply.

(2) Dividends will be held as a credit to prevent lapse, as provided by law.

**M29-1, Part ll**
Advance Manual Change No. 4-85 September 4, 1985

Chapter 13. Returned Mail

A. **Change:** M29-1, **Part ll, Chapter** 13. **This change incorporates the use of the Insurance Terminal** System in the **processing of returned mail items.** It also eliminates the requirement that **certain returned mail initially be remailed to the** same **address** without **development. References to processing undeliverable checks have been removed since they are contained in Advance Manual** Change 5-85 **of Chapter** 14, Liability **Master Records.**

**B. Procedure:** Delete Chapter 13 in its entirety **and** substitute the attached **replacement.**

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

**PAUL** F. KOONS

**Acting** Assistant Director **for Insurance**

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September 18, 1975

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d. The Accounting Section entry will show a debit to Accounts Receivable with a contra credit to MTC.

e. The Accounting Section will forward two copies of the journal voucher to **the Insurance** Division (292) with a request that they be advised of the day number in which the insured's account was updated. In all cases **the** insurance input will reflect a debit to the MTC (39) account.

f. A monthly reconciliation will be made between the Collections Section pending file and the Accounting Section general ledger balance.

g. **When the** credit advice is finally received from the Federal Reserve Bank, it will be forwarded to the Accounting Section to close out the accounts receivable balance. =

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**TO** **Chief Policy Service Section (292)** **DATE:** November 2O, 1975

Chief, Finance Division (24)

SUBJECT: Receivables - Check proceeds Due From Federal Reserve Bank"

In accordance with instructions in CO letter dated September 10, 1975 from **Field Director Area** 1- the following items are submitted:

| NAME CODE | FILE# | POLICY# | PMD OF REMITTANCE | AMOUNT | PURPOSE |
|---|---|---|---|---|---|
| RAM | v522 6O 51 | . V051 | 6-5-75. | $19.00 | PREMIUM |
| MUL | V236 91 95 | V195 | 9-11-75 | $32.00 | " |
| CAR | FRS 1765 91 91 | 191 | 10-5-75 | $22.10 | " |
| MAE | FRH 1798 91 31 | 131 | 9-20-75 | $97.00 | " |

**PLEASE ADVISE THE DAY IN WHICH THE INSURED'S ACCOUNT WAS UPDATED.**

**J. FALLS**

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CHAPTER 13. RETURNED MAIL

13.01 **GENERAL**

**a. Unclaimed or undeliverable mail** will be **received in the originating section** with **the insurance folder. The** 1010, **Life e** Inquiry **screen** will be **viewed to compare the current insurance record mailing address to the return** mail **address.**

b. **Returned mail associated with liability accounts will be discussed in Chapter** 14.

c. **An attempt will be made to locate each veteran whose mail has been returned by the post office as unclaimed or undeliverable. The effort made** will be **commensurate with the urgency of the correspondence.**

**d. A notification for change of address which is unsigned or signed by a third party** will be **accepted for insurance purposes. Requests for change of address received over the telephone** may be **accepted if the employee is satisfied that the request is genuine.**

**e. When a current address is obtained, the master record is updated and the original correspondence, if it is still applicable and meaningful, is remailed.**

13.02 PROCESSING RETURNED MAIL

**a. Check the folder and** 1010 **screen to see whether there is another, more recent, address available. If there is, remail the correspondence to the** new **address.**

(1) **A different address** on **the** 1010 **screen is assumed to be more recent than the one on the returned mail unless there is evidence in the folder to the contrary.**

(2) **The returned material should not be retyped or reprocessed to reflect the new address. Instead, a VA** Form 29-5785, **Address Insert Slip, should be used and a VA** Form 29-5934, **Change of Address for Insurance Purposes, enclosed for the future use of the insured.**

(3) **If the new address is not shown on the** 1010 **screen, but was recovered from the folder, the ADDR screen** will be **accessed to update the address in the master record.**

**b. If a current address is not immediately obtainable, the following steps will be taken based upon the method of premium payment.**

**(1) If the policy is paid for by deduction from benefits (How Paid** 3) **or premiums are waived because of disability (How Paid** 5), **request a MINQ screen. How Paid Codes 3 and** 5 **indicate that there is a strong possibility that the veteran is receiving compensation or pension payments from the VA. The MINQ screen** will **give the address to which these checks are being sent. The** MINQ **screen may also be used if the account shows How**



**b. Whenever** a **positive returned mail indicator is not removed when an address change is processed, the system will process the change of address and generate an RPO with reason code 071. Examine returned correspondence, if any, attached to the inside of the folder. If it is still applicable, send it to the new address. If it is not, dispose of it in accordance with Records Control Schedule VB-1, Part** l, **Section IX, 9-000.050 which states that correspondence, forms and form letters which have been returned unclaimed to the Insurance Center, and have no record value, should be destroyed. Letters of disagreement, requests for evidence, notices of award or denial of claim or material containing information in addition to that for which it was designed, should be retained.**

that the **correspondence** is not **damaged. When a monthly Premium packet is returned unclaimed, file only the first premium notice card and the enclosure envelope, properly noted. Dispose of the remaining notices and retain the pack of return envelopes for reuse. When a new mailable address is received,** a new **monthly packet** will be **released by down dating the billing code in the master record.**

13.03 **DEVELOPING FOR CURRENT ADDRESS**

**a. If the premiums arc paid directly, or there is loan indebtedness on the policy, check the postmark date of the latest remittance and compare it to the original postmark date of the returned mail. If the postmark**

date of the remittance is more recent, request a recordak print of the remittance and examine it for a better address. If no address is shown and the remittance is a personal check, release a VA Form Letter 29-16a, Request for Current Address, to the bank on which the check was drawn, soliciting assistance in locating the veteran. The VA Form Letter 29-16a should contain the insured's social security number and should be accompanied by a copy of the check and *a* return envelope. If any banking institution appears to be reluctant to supply an address, release a letter to the bank asking them to forward the communication to the veteran.

b. Release & VA Form 7C-3443, Address Information Request, to the postmaster of the city, state and zip code of the latest address of record.

c. Release a VA Form Letter 29-16, Request for Current Address, to all beneficiaries, principal a13-2=•nd contingent, with an address different from that of the veteran, or to any other third party of record who may know the whereabouts of the veteran. If no third party is available, make a note in the folder to that effect with the date. If it appears that no request for address information has been sent to the occupant at the address of record, release a VA Form Letter 29-16 to that address.

13.04 THE RETURNED MAIL INDICATOR

a. When a direct remittance is processed after the returned mail indicator is established, an RPO, reason code 274, will be generated. Take clerical action as outlined in paragraph 13.03 to obtain a current address.

b. Whenever the system processes a cash dividend, a cash withdrawal from a dividend credit/deposit account or a pending disbursement transaction, and the returned mail bit is on, the payment is established as a liability and an RPO, reason code 616, is generated. The procedure for processing reason code 616 RPO's is outlined in Chapter 14, paragraph 14.03, System Generated Liabilities.

13.05 PROCESSING ADDRESS CHANGES AND REMAILING CORRESPONDENCE

a. When a change of address is received directly into the Policy Service Section, process any returned mail in the folder as directed in subparagraph 13.O5B.



Paid Codes O, l, 2, 4, 8 or 9; a claim number; and a RO Juris Code other

__ than 76. RO Juris Code 76 means that the veteran's compensation/pension
records are retired. A current address, therefore, is not available.

(2) If the MINQ screen does not provide a better address, prepare input transaction type 080 to insert the return mail indicator. Inserting the returned mail bit triggers the system to release a VA Form 29-5982, Request for Address Information, to the occupant at the address on the 1010 screen. If, however, the address on the 1010 screen is military or foreign or general delivery; if it consists of a post office box number, an RED or star route or a town or state only; or if it is the address of a hotel or similar institution or a fiduciary, the form will be disposed of in accordance with Records Control Schedule VB-1, Part I. The returned mail bit should be inserted at this time regardless of the suitability of the address for VA Form 29-5982. Further action may be taken as described in paragraph 13.03.

(3) If the policy is paid for by allotment, insert the returned mail bit as described in paragraph 13.02b(2). This will trigger the system to release a VA Form 29-334, Request for Address Information - Allotment Accounts, to the appropriate service department, unless the allotment is made

**from Army Retired pay. If the VA Form** 29-334 **does go out, no further action need be taken until a response is received. If it is not released because the allotment is made from retired pay, or the VA** Form 29-334 **fails to yield a more current address, follow the procedures described in paragraph** 13.03.

**(4) If the account is on How Paid 8, payroll deduction, direct the Collections Unit to contact the insured's employer for a current address. If that is ineffective, insert the returned** mail bit **as described in subparagraph 13.02b(1) and pursue sources listed in paragraph** 13.03.

(5) **If the account is on How Paid** 9, **direct pay, insert the returned mail bit for the release of VA** Form 29-5982 **and develop as necessary in accordance with paragraph** 13.03.

**(6) If a VA** Form **Letter** 29-5, **which advises a veteran of eligibility for RH insurance, is returned unclaimed, release a teletype to the regional office which furnished the disability rating, requesting a better address. The original VA Form Letter** 29-5 **and the carbon copy should be kept together until a response is received. If the regional office has no better address, file the returned VA** Form **Letter 29-5 in the insurance folder and destroy the carbon copy. If an insurance folder has not yet been established, the returned VA** Form **Letter** 29-5 will **also be destroyed.**

**c. Further development of any case should be undertaken as warranted by the merits of the individual case and the importance of the correspondence returned to the VA. Resources should be selected care(fully to meet the need for a current address without causing unnecessary and repetitive folder recall.**

**d. All action taken in pursuit of a new address should be noted in the insurance folder, preferably on the file copy of the original correspondence, if available. The returned correspondence should be attached to the inside of the folder for remailing when a new address is obtained. Care should be taken**



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13.05 Processing Undeliverable Checks Returned to the VA

**13.06** **Processing of SF 1098, Sch**edule of Canceled Checks

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**TO** **Chief, Insurance Operation** Division (291) DATE : September 15, 1975

From Chief, Finance Division (24)

SUBJECT Accounts Receivable - Federal Reserve Bank

l. Situations occur **where** an insured's remittance is processed by

our office to the Federal Reserve Bank and subsequently a debit
voucher is received from the **Federal Reserve Bank indicating the** check was lost.

2. After downdating the insured's account and notifying him, he produces a copy of the paid check.

3. We then contact the Federal Reserve Bank requesting *a* credit so that we can update the insured's account However, past experience indicates
this is an extremely slow process.

**4.** On September 10, 1975, we received authority from Central Office which will enable us to expedite this part of the procedure by **per**mitting us to establish an accounts receivable with, the federal

Reserve Bank and update the insured's account without waiting for the Federal Reserve Bank Certificate of Deposit.

5. The procedure discussed and agreed to by your representative is as follows:

a. In those few cases referred **to where you receive a copy of a paid** check from an insured, the check will be routed to our collections Section (245) with a **request that an** acc**ounts receivable (FRB) ) be** established.

b. Our Collections activity will photocopy the check and forward it to the Federal Reserve Bank requesting they process a credit advice to clear our records. A pending file of photocopies will maintained by the Collections Activity.

c. A copy of the letter to the Federal Reserve Bank will be forwarded by the Collections Section to the Accounting Section to prep**are a j**ournal voucher and appropriate input to the GLEGS/GLUD System.



the **SF 1098** number will be left blank. The TD Forms 1664X, the insurance folder, if available, and **all sup.** porting documents required for the cancellation will be forwarded to the Voucher Audit [activity **ill** the] Finance [activity]. They will enter the schedule number on the **SF 1098** and in the appropriate block of the stamp on the reverse side of each [ ] form [ ]. The TD Form I664X [and/or VA Form 4.4472] will be filed in the insurance folder. A copy of the SF **1098** will not be filed in the folder.

j. The Treasury regional disbursing office will not hold undeliverable checks for more than 6 months from the month of issue. If the originating VA office does not authorize disposition of the checks within the 6-month period, the Treasury regional disbursing office will schedule the checks on **SF 1185,** Schedule of Undeliverable Checks for Credit To Government Accounts, for credit to Budgetary Clearing Account **(Suspense), 36F3875** of the originating VA office. The SF 1185 will not be sent to the VA office for approval. They will note the form, Maximum Retention Period Expired-Checks Deposited on C/D No._____ dated _____ . The original and
l copy of the form will be sent to the originating VA office. The VA office, upon receipt of the form, will == account for the deposit accordingly. They will also review items recorded in account 36F3875 on a current basis and process adjustments to transfer amounts to the appropriation or fund account originally charged for the disbursement or the appropriate succeeding account.

13.05 PROCESSING UNDELIVERABLE CHECKS RETURNED TO THE **VA**

All undeliverable checks that are returned to the VA are sent to the agent cashier.

a. Checks that are returned because of an incorrect address for the payee will be processed as follows:

**(1)** The agent cashier will prepare a VA Form [4] .4472, [ ], and forward it, together with any correspondence that was returned with the check, to the proper operating element.

(2) Action will be taken as outlined in the preceding paragraphs to determine the current address of the payee.

(3) If the check is to be remailed, a dictated letter of transmittal will be prepared explaining the reason for the remailing. Include any necessary instructions about the endorsement. The letter will be sent to the agent cashier for attachment of the check and release to the payee.

(4) If a new address is obtained and it is confirmed by the payee with identifying information and signature the undeliverable check will not be canceled because of the incorrect address. Instead, a VA Form 29.5785 will be prepared and sent to the agent cashier with a letter of explanation. The agent cashier will mail the check to the current address by using the VA Form 29-5785.

(5)If the check is to be canceled, [it will be canceled as outlined in paragraph 13.04i.]

b. Checks that are returned because the name of the payee is incorrect will be processed as follows:

(1) Upon receipt of the VA Form [4] -4472 from the agent cashier, determination will be made if the name of the payee has been changed as a result of a court order or by marriage. If so, and the name has not been changed in the insurance records, a change of name will be processed and the correct name entered in the master record. =

(2) If it is determined the payee's name was not changed but was incorrect in the master record, the master record will be corrected.

(3) When the payee's correct name is established, an **SF 1147** will be prepared. The original of the SF 1147 will be signed, to the left of the official certification, by personnel designated to authorize refunds or otherwise listed as designated employees. The original and a copy of the SF 1147 will be routed to the agent cashier. A copy of the SF 1147 will be filed in the insurance folder. The agent cashier will attach the invalid **deck** to the original **SF** 1147 and return them to the Treasury regional disbursing office.

13-6

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lapse letter is involved, follow instructions outlined in subparagraph f below. When an allotment account 15 involved, follow instructions outlined in subparagraph h below. The file copy of the correspondence, if any, will be noted to show the address to which an item was remailed and the date remailed.

f. When returned mall is received the second time (readily identifiable by the green-striped VA Form 29.8395), the folder and RPO will be reviewed again for a better address. If a better address is not available, determine if the postmark date of the last remittance is later than the original date of flu returned mail. A recordak print of the latest remittance will be requested for

the purpose of obtaining a better address if one appears thereon. If no address (of the veteran) is shown and the remittance is a personal check, FL 29.16a [
will be prepared showing the insured's social security number and will be mailed to ilk bank on which the check was drawn, soliciting their assistance in locating the veteran. A return envelope will accompany the letter. If any banking institution appears reluctant to supply an address, a letter will be released to the bank asking them to forward the communication to the veteran. An envelope will be enclosed to forward the communication. In addition, an FL 20 [ ] will be released. If no replies are received within 30 days or if negative replies are received, an FL 29.16 [ ] will be released. Release a third-party request to all beneficiaries (principal and contingent) with an address different from that of the veteran, or to any other pertinent third party of record. If no appropriate third party is available, note the correspondence, if any, No Third Party Available, and date.

g. The returned mail indicator will be entered in the master record (except on how paid 7 accounts-section 724 waiver) by preparation of a VA Form **29.5896a, Life** Input [Card], or VA Form 29-8530, Life/Miscellaneous, transaction type 080. For how paid 7 accounts, a VA Form 29.150, Request for Service Information, will be prepared and released. Upon return of the fon~, the information contained therein will determine the appropriate action to be taken. When an RPO is used as a source document for entering the returned mail indicator, it will be coded in red to show RM to the left of the file number caption in the pending transactions area and 1 in the Returned Mail block. The completed RPO's will be sent in a separate batch to the [Analysis and Control Division] in the data processing center.

h. When the returned mail indicator is inserted in the master record, the system will automatically generate a VA Form 29-5982. Request for Address Information, or a VA Fond 29-334, Request for Address Information-Allotment Accounts. The VA Form **29-5982** will be released to the occupant at the address of record for other than allotment accounts. The VA Form 29-334 will be released to the service department concerned on all allotment accounts except for those which are being paid from Andy Retired allotment pay.

(1) The types of addresses unsuitable for an occupant inquiry are as follows:

(a) Military or foreign.

(b) General delivery.

(c) Post office box number.

(d) RFD or star route.

(c) Town **and** State only.

**(f)** Hotels or similar institutions.

(g) Fiduciaries (guardian, custodian, conservator, etc.).

(2) When VA Forms 29-5982, with an unsuitable address as shown above, are received, they will be disposed of in accordance with Records Control Schedule VB-l, part I, since an FL 29-16 has been or will be released to a designated beneficiary and/or third party as appropriate.

i. When a direct remittance is processed after the returned mail indicator is established, an RPO, reason code 274, will be generated. Clerical action will be taken to obtain a current address as outlined in subparagraph **f** above.

# CHAPTER 13. RETURNED MAIL AND UNDELIVERABLE CHECKS

## 13.01 GENERAL

**a. Unclaimed or undelivered mail will be received in the originating section with the insurance folder and VA Form 29.5886b, [ l b~surnnce Record Printout attached.**

= **b. TD Fond l664X, Returned Check Notice, representing an unclaimed or undelivered check issued in connection with a Government life insurance contract, will be received in the Policy Service Section with the folder and an RPO (record printout) attached.**

**c. Every effort will be made to obtain a current address on all items returned by the Postal Service as undeliverable. When a current address is obtained, the master record will be updated.**

**d. A notification of change of address which is unsigned or which is signed** by a third party will be accepted for insurance purposes.

e. Telephone requests for change of address may be accepted for insurance purposes. The following procedure

will be taken when such requests are received:

(1) The caller will be asked where his or her insurance records are located.

(2) The VA employee receiving the call will complete VA Form 29-5934 or VA Form **29-889,** Change of Address for Insurance Purposes.

(3) The employee must exercise good judgment and a certain amount of caution before completing VA Fom~ 29-5934. If tl~ insured or someone acting for the insured is calling, he or she should be able to furnish the policy number. If the beneficiary of an insurance claim is calling, he or she should be able to furnish the claim number.

(4) If the employee is not satisfied that the request is authentic, the caller should be instructed to submit the request in writing.

## 13.02 PROCESSING RETURNED MAIL

a. The returned mail will be examined to determine if the contents are still applicable. If not applicable, the contents will be disposed of in accordance with Records Control Schedule VB-1, part 1.

b. If the contents still apply, and information in the folder and/or on the RPO provides a more recent address, the returned item will be mailed to the new address. It will be assumed that a different address on a current RPO is a more recent one even though that assumption cannot be substantiated by reviewing the folder.

c. If the folder provides a more recent address not shown on the RPO, in addition to redirecting the returned mail, a VA Fond 29-5934 will be prepared to change the address on the master record. [ l

d. Whenever a new address is available, the returned material will not be retyped or reprocessed to reflect the better address. Instead, a VA Form 29.5785, Address Insert Slip, will be used. A VA Fond 29-5934 will be inserted with the returned material for the future use of the insured. If the returned material is being mailed to an inservice address, the social security number of the insured will be included in the address.

c. If the folder and RPO fail to disclose a new address, the returned material (6except lapse letters and allotment accounts) will be remailed to the same address. Additionally, the remailed material will be accompanied by a VA Form 29-8395, Change of Address for Insurance Purposes, and a return envelope. When a

to the same address without substantiating evidence or information that the address is currently correct. However, a VA Form 29-218 will be released to the same address. When the address on the RPO is the same as that **on** the TD Form 1664X, and it has been determined that it is the current address, the TD Form 1664X will be noted, Remail Check to Same Address. After the form is initialed and dated, it will be returned to the Treasury regional disbursing office.

c. When a current address is obtained from the insurance folder, RPO, or late remittance, prepare a TD Form 1664R, Request to Remail Undeliverable Check and/or Bond, in triplicate. Enter the check number and date of check on the left side of the form and the insurance numbers and the account number on the right side of the form. Enter the current date, name and new address of the payee. The third copy of the TD Form 1 664R will be signed by a Policy Service Technician. Stamp copy 3, Ready for File, and staple it on top of the TD Form 1664X. The forms will be filed in the insurance folder. A VA Form 29-470, Notice, (to be enclosed when a retumed deck is remailed to insured at a better address), and a VA Form 29-5934 will be attached to the completed TD Form 1 664R. The TD Form I 664R, original and copy, will be placed on top of the VA Form 29-470 and **VA** Form 29-5934, paper-clipped together in that order, and sent to the Voucher Audit [activity] for review and release.

d. If a current address is not found, insert the returned mail indicator in the master record as outlined in paragraph 13.02 and make every effort to secure a better address.

c. When the TD Form 1664X indicates that the check was returned because of an incorrect name, determine if the name of the insured has been changed as a result of a court order or by marriage. If so, and the name has not been changed in the insurance records, process the change of name and enter the correct name in the master record. If the insured's name was not changed but merely incorrect in the master record, prepare **SF** 1147, Request for Issuance of Replacement Check Due to Error in Name and/or Designation of Payee, in triplicate. The original will be signed, to the left of the official certification, by personnel designated to authorize refunds or otherwise listed as designated employees. The original and a copy of the **SF** 1147 will be sent to the Finance [activity] for certification and forwarding to the regional disbursing office. A copy of the **SF** 1147 and the TD Form I 664X will be filed in the insurance folder.

[(Subparagraphs **f** through h deleted.)]

i. When it is necessary to cancel an undeliverable check [ ] , the following action will be taken:

(1) A stamp will be impressed on the reverse side of the TD Form 1664X [or the VA Form 4-4472, Returned Check Worksheet.]

(2) The stamp will appear as follows:

Check is proper for cancellation.

~ On-Tape Reason for Cancellation
~ Off-Tape (No input)

For off-tape cancellations, indicate below the purpose for which check was originally issued:

~ Dividend _____ E) Cash Surrender RO# _____
Year ~ Other (Explain) XC # _____
~ Premium Refund
~ Policy Loan

SF 1098 Number _____ Signature of Authorizing Employee

(3) The stamp must fit the reverse side of the TD Form l 664X. Holes should be punched at the bottom of the form before stamping so as not to remove any data. All necessary information will be entered. However,

13.06 PROCESSING OF SF 1098, SCHEDULE OF CANCELED CHECKS

a. When it is necessary to cancel an undeliverable check that was returned directly to the VA; an SF 1098, in triplicate, will be prepared. The following information will be entered on the fon~:

(1) Department or Establishment-Veterans Administration [ l.

(2) Bureau or Office-Center.

(3) Location-Address of VA Center.

(4) Sheet number-I of 1 or 1 of 2, 2 of 2, etc.

(5) DO Symbol No.-Treasury Regional Disbursing Office symbol number (303).

(6) Date of Issue-The date the deck was issued.

(7) Check number-The number of the check to be canceled.

(8) Payee -The name of the payee and the file number as they appear on the check.

(9) Voucher Number Applicable-The reason why the check is being canceled.

(10) Amount-The amount of flee deck.

(11) Symbol of Appropriation or Fund to be Credited -The appropriate symbol number.

(12) After the last check listed on the form enter the name and title of the Policy Service Technician for his [or her] signature.

(13) Total-Show the total dollar amount of all listed check(s).

b. The Policy Service Technician will sign the **SF** 1098.

c. The reason for cancellation will be shown on the related worksheets.

d. All copies of the SF 1098 will be sent to the Voucher Audit [activity] for assignment of a schedule number and signature.

c. The Voucher Audit [activity] will forward the **SF** 1098 to the agent cashier for the attachment of the check(s) and mailing to the Treasury regional disbursing office.

f. Upon return of the copy of the **SF 1098,** it will be stamped "Ready for File," and sent for filing in the insurance folder.

Chapter 14. Liability Master Records

A. Change: M29-1, Part 11, Chapter 14. This advance manual change is issued in conjunction with Advance Manual Change No. 4-85 to clarify and update clerical procedures for processing returned checks and liability disbursements. In particular, this change reflects the new Treasury Department procedure for canceling returned checks iuediately upon receipt, and the elimination of monetary and age restrictions governing disbursement of liabilities through Voucher Audit.

B. Procedure: Delete Chapter 14 in its entirety and substitute the attached replacement.

C. New or Revised Insurance Forms: None.

PAUL F. KOONS
Acting Assistant Director for Insurance

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# CHAPTER 14. LIABILITY MASTER RECORDS

## 14.01 GENERAL

a. A liability is established whenever a sum of money payable to an insured cannot be delivered for reasons beyond the control of the VA.

b. Liabilities are created when a check is returned to the Treasury Department as undeliverable, or when a system-generated disbursement is suppressed by the returned mail and/or disbursement pending indicator in the master record. Insertions, deletions and changes to the Liability Master File can also be made through clerically prepared input.

c. If a liability amount has a corresponding inforce master record, the amount of the liability will be disbursed automatically when an appropriately coded change of address input is received into the system.

d. If a liability amount does not have a corresponding Inforce Master Record, the amount can still be disbursed automatically. In addition to the address change input, an appropriately coded life input, showing the payee' s full name is required.

e. Transactions affecting the Liability Master File are documented on the daily transaction history list, or the final portion of the daily,, reject list captioned "Liability Accounting, Reject List and Master Printouts. A list of liabilities associated with any particular file number will be printed under "Liability Accounting, Reject List and Master Printouts," upon request.

f. Basic liability information can be obtained through access of the liability inquiry screen 1500. Basic liability data will consist of total number of liability records, liability record number, amount of individual liability, grand total of all liabilities, fund, object code and insured's identifying data if available. When more than three liabilities exist for the file number, a liability extract inquiry screen 1501 is available and should be used.

g. Public Law 91-291, whereby a claim for unpaid dividends declared prior to January 1, 1952, will not be honored, is not a bar to the payment of these special dividends where they have been established as liability accounts.

## 14.02 RETURNED CHECKS

a. Cancellation of Returned Checks

(l) When checks issued in connection with insurance contracts are returned to the Treasury Department as undeliverable, the Philadelphia Regional Disbursing Center cancels them immediately and provides Finance Division with a TD Form 1664X, Returned Check Notice, for each check.

(2) Insurance-related checks returned to the VA are sent to the Agent Cashier Unit.



(a) Checks that are returned because the insured elects to-use the money to pay premiums or to repay a loan are deposited in Collections as transaction type 201 or 301 items, using the postmark date on the envelope.

(b) Checks that are returned for any other reason are forwarded to the Treasury Department Regional Disbursement Center for cancelation and the preparation of the TD Form 1664X. If the check has been returned by a third party indicating that the payee is deceased, the related material is annotated showing the amount of the returned check and forwarded to the Insurance Awards (Death Claims) Section, 295.

b. Establishment of Liability Accounts

(1) The TD Forms 1664X are forwarded to the Finance Division at regular intervals, accompanied by a separate Standard Form 1098, Schedule of Cancelled Checks, for insurance in-force and insurance awards returned checks and a corresponding list, by fund or appropriation, of individual checks, in account digit order, totaled by fund.

(2) The Finance Division forwards the in-force TD Forms 1664X to the Analysis and Control Division of the Data Processing Center for keypunching VA Forms 29-8328, Liability Account Input Card, two duplicate work decks and record printout (RPO) requests. An IBM listing of the VA Forms 29-6328 including an item count and total dollar amount is also generated. One of the work decks will be stamped CHECK CANCELED - LIABILITY ESTABLISHED. This is forwarded with the TD Forms 1664X to the Insurance Files Section for association with an RPO and the insurance folder. The second work deck is also sent to Files to be used for folder recharge. The Liability Account Input Card is used to enter the new liability account into the Liability Master File. This action also places the returned mail and pending disbursement indicators in the master record.

(3) The IBM listing is then returned to the Accounting Section, Finance Division for comparison with the Standard Form 1098 from Treasury.

(4) TD Forms 1664X which indicate that the payee is deceased are sent with the folder, RPO and VA Form 29-6328 to the Death Claims Section. TD Forms 1664X pertaining to live cases are forwarded to the Policy Service Section along with the RPO, insurance folder and liability workcard.

NOTE: Each TD Form 1664X contains a code in the lower left margin indicating the reason the check has been returned. The interpretation of all the codes used appears in the upper left margin. If there is correspondence or other material attached to the form, the code is omitted. On death cases where the date of death is known, the date of death and the appropriate code appear on the form.

c. Processing TD Forms 1664X

(1) Upon receipt in the Policy Service Section, the TD Forms 1664X are screened for those representing checks issued as a result of a loan, cash
surrender or matured endowments. These forms receive priority attention. If ~ the check amounts cannot, or for some reason should not be redisbursed ~ immediately, reversal action must be taken, and the check amounts retrieved



from the liability fund. Guidelines for the processing of TD Forms 1664X associated with loans, cash surrenders, or matured endowments are specified in M29-1, Part II, Chapters 8, 9 and 10 respectively.

(2) The Policy Service Technicians examine each of the remaining TD Forms 1664X to determine the reason the check was returned.

(a) If the TD Form 1664X indicates that the check was returned because of an incorrect name, determine if the name of the insured has been changed as a result of a court order or by marriage. If so, and the name has not been changed in the insurance records, process the change of name and enter the correct name in the master record. If the insured's name was not changed but merely incorrect in the master record, correct the master record. In either case, the check should be reauthorized for disbursement to the correct payee.

(b) If the TD Form 29-1664X is received with an indication that the check is being returned because the payee does not want it, take action to transfer the money from the liability fund to the originating fund.

(c) If the TD Form 29-1664X indicates that the check was returned because it could not be delivered, every effort will be made to secure a better address. The technician should follow the same procedures as outlined in Chapter 13 for returned mail. If a better address is not immediately available, file the TD Form 29-1664X in the folder, note all action taken to locate a new address, and return the folder to files. The folder will be retrieved again when the developmental correspondence is returned.

14.03 SYSTEM GENERATED LIABILITIES

a. When the disbursement function processes a cash dividend, a cash withdrawal from a dividend credit/deposit segment, or a pending disbursement transaction and return mail is indicated on the master record, a liability account is created for the amount of the disbursement transaction. A VA Form 29-5886b, Insurance Record Printout, is generated by the system showing reason code 616.

b. The RPO generated with reason code 616 will be sent to the Insurance Files Group for pulling of the insurance folder. Upon receipt of the folder it will be reviewed to make certain that all appropriate actions have been taken to obtain a new address. Any such actions omitted will be taken at this time. Note the action taken or no action necessary, as appropriate, on the RPO, initial and file in the insurance folder.

14.04 ADDRESS CHANGES WITH DISBURSEMENT OF LIABILITY AMOUNTS

a. When a new address is received in the Policy Service Section, the Technician will prepare VA Form 29-5891a, Address or Trailer Input, with transaction type 081, and file the original source document in the folder. The input document(s) are then sent to Voucher Audit for review before insertion into the daily processing runs. All inputs are assigned a special batch and

**originating element code in Voucher Audit to indicate that they have been reviewed. If there is a master record on tape, and the pending disbursement**

bit is on, the address change input document will change the address on the master record, turn off the returned mail and pending disbursement indicators and trigger the automatic lump sum disbursement of all liabilities associated with the file number.

b. If a change of address is inserted that does not contain the special batch Voucher Audit coding, the address in the master record will be updated and the returned mail indicator turned off, but the liability amount will not be disbursed. Instead, an RPO with reason code **LIAB** will be generated. Upon receipt of the reason code LIAB RPO, the Policy Service Technician will review the case and if appropriate, prepare a second 29-5891a, Address Change Input, with transaction type 081, using the address shown on the RPO. The case will be routed through Voucher Audit for assignment of the special batch and originating element code. This input will then trigger disbursement of the liability and turn off the disbursement pending indicator.

c. When there is no Insurance Master Record, a VA Form 29-5896a, Life Input, Transaction Type 080 will be prepared in addition to the address change input. The case will be routed through Voucher Audit for assignment of the Special Batch and Originating Element Code.

## 14.05 CLERICAL PROCESSING OF LIABILITY TRANSACTIONS

a. A VA Form 29-8328, transaction type 036, can be used to clerically enter a pending disbursement record into the liability master file. The completed input document should be sent to Voucher Audit along with the insurance folder and related material. Voucher Audit will verify the transaction, assign a 9T batch number and introduce the VA Form 29-8328 into the daily processing runs. The insertion of the 29-8328 will turn on the returned mail and pending disbursement indicators and establish the liability amount in the liability master file. A separate record number will be maintained for each liability amount associated with the same policyholder. A maximum of 30 liabilities can be maintained on tape for any one file number.

b. Making Changes in a Liability Record

(1) A VA Form 29-8328, transaction type 034, can be used to add any information to an existing liability item, or to change any of the data of record, except the file number.

(2) The record number for the liability record to be affected must be shown on the VA Form 29-8328. This number can be obtained by viewing the Liability Inquiry screen 1500 or the Liability Extract Inquiry screen 1501.

c. Deleting Liability Records

(l) A VA Form 29-8328, transaction type 035, can be used to delete a pending disbursement record clerically from the Liability Master File. Disbursement or disposal of liability amounts must be accomplished clerically when:

(a) disbursement is to be made to a recipient or address other than that of record,



(b) the liability amount must be disposed of in some way other than cash disbursement,

(c) the liability record was inserted with an incorrect file number or life fund and must be reinserted,

(d) the liability master record is being transferred from one office to the other.

(2) To delete all liability records for a file number, enter 00 in the Record Number field and the full amount of liability in the Amount field on VA Form 29-8328. The system will automatically remove the returned mail and disbursement pending indicators on the insurance master record.

(3) To delete an individual liability master record, enter the number of the record involved in the Record Number field and the amount of the liability for that particular record in the Amount field on the VA Form 29-8328. The Record Number may be obtained by viewing the Liability Inquiry screen 1500 or the Liability Extract Inquiry screen 1501.

(4) To transfer a liability record from one office to the other, prepare and release input to delete the liability record(s). Also furnish the Finance Division with a memorandum requesting preparation of VA Form 1033, Interoffice Transfer Voucher, and citing identification information pertinent to the liability record(s). The office receiving the records will, upon receipt of VA Form 1033 from the Finance and Data Processing Division, prepare and release the input to establish the liability record(s) identified on the form. ADP control account 09 will be used on the input involved in these transactions.

**x**

14. O6 CLERICAL DISBURSEMENT OF A LIABILITY AMOUNT

a. When a liability amount is disbursed outside the system by means of VA Form 4-706, Notice of Refund and Refund Worksheet, ADP control account 52 will be credited on the input.

b. When a liability account(s) is to be included in a death award, total and permanent disability award, cash surrender or matured endowment, ADP control account 09 will be credited on the liability input.

c. As of August 30, 1968, liability records with N numbers only, where the amount of the liability was $25 or more were identified and cards were punched, interpreted and listed; and were forwarded to the Central Office Index Division to note the existence of the outstanding liability on the master index cards. When one of these liabilities is disposed of during the lifetime of the insured, VA Form 07-7213, Index and Locator Master Record File Maintenance Input Sheet, will be prepared requesting the liability indication be deleted from the BIRLS master record. The form will be sent to the Teletype Unit.

14.07 TRANSACTION LISTINGS

a. Liability transactions processed will be printed on the daily transaction history list. A record printout is not provided for in the maintenance of the liability master records. The list captioned, Liability Accounting Reject List and Master Printouts, will provide a record of liabilities associated with any



**given file number if a 29-8328 is inserted for that file number with OO in the Record Number field and a transaction type 034.**

**b. The types of liability transactions that will appear on the daily transaction history list are as follows:**

| Transaction Type | Description |
|---|---|

030 Name change.

034 Clerical change in liability record fields and request for list of liability master record.

035 Clerical delete.

036 Clerical insert.

606 System generated dividend payment insert.

609 System generated premium refund insert.

629 Request for disbursement from liability master record.

**c. Disbursement Object Code (Type of disbursement)**

O-Noncash dividend
1-Cash dividend
2-Cash withdrawal of dividend credit
3-Cash withdrawal of dividend deposit
4-Refund
5-Cash surrender
6-Loan
7-Refund to estate of insured
8-Regular annual dividend (current year)
9-Liability refund

## 14.08 DELETION AND DISBURSEMENT OF LIABILITIES

**A VA Form 29-8364, Insurance Liability Delete/Disbursement Card, will be generated when a liability amount is deleted or disbursed. If the liability amount was deleted, rather than disbursed, the amount and zip code fields on the card will be blank. The card will be filed in the insurance folder to be used as an audit trail.**

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# CHAPTER 14. LIABILITY MASTER RECORDS

## 14.01 GENERAL

a. When checks issued in connection with insurance contracts are returned to the Treasury Department as undeliverable, TD Forms l664X, Returned Check Notice, are received. The second TD Forms 1664X, with a machine listing of items and amounts for checks still undeliverable 5 months after the month of issue, are sent by the Philadelphia Disbursing Center to the Finance and Data Processing Division. After the forms are screened for checks issued as benefit payments, the remaining TD Forms 1664X are forwarded to each Insurance Officer or his designee for control.

b. TD Forms l664X will be sent to the DPC (data processing center) for keypunching of VA Forms **29-8328,** Liability Account Input Card, duplication of [a workdeck] , a record printout request, and the printing of an IBM listing of the VA Forms **29-8328,** including item count and total dollar amount. One of the work decks will be stamped CHECK CANCELED-LIABILITY ESTABLISHED. After completing their action, the DPC will return the TD Forms I 664X together with the VA Forms **29-8328,** the work decks of duplicates, and the IBM listing.

c. VA Forms **29-8328** and IBM listing will be sent to the Accounting Section, Finance and Data Processing Division, for preparation of SF **1185,** Schedule of Undeliverable Checks for Credit to Government Accounts. After

preparation of the SF 1185, the VA Forms **29-8328** will be sent to the Data Control Section for insertion into the daily processing runs to establish the liability. The TD Forms 1664X and the stamped work deck of duplicates (VA Forms **29-8328)** will be sent to the appropriate Policy Service Section for processing. The other work deck will be sent to the Insurance Files Group, Administrative Division, for pulling of the insurance folders.

d. The Policy Service Clerks will review the folders to make certain that all appropriate actions have been taken to obtain a new address since the original notice of returned check was received. Any such actions omitted will be taken at this time. The original TD Form l664X in the folder will be stamped to indicate that the check has been canceled.

e. When it is determined that a better address is not currently available, VA Form 07-7210, Request for Index and Locator Information, will be prepared requesting a search for claim number and claims folder location. The form will be sent to the Teletype Unit. The workcard will be filed in the insurance folder.

f. Upon receipt of a response to the request for search of claim number and claims folder location and the response shows a claim number, request the insurance folder. Upon receipt of the insurance folder, remove the liability workcard and enter thereon the full name of the veteran, claim number and office of jurisdiction. ,The card will be mailed to the regional office with a letter requesting that the latest address of record, and the d ate thereof, if available, be obtained from the claims folder and entered on the card, and the card returned to the originator. If the response does not show a claim number, it will be stamped Ready for File and sent to the Insurance Files Group for filing in the insurance folder.

g. When the cards are returned from the regional offices, they will be associated with the insurance records to see if the addresses furnished are more current than those of record. A VA Form **29-218,** Notice of Refundable Credit, will be released for each insured, regardless of whether or not the address from the claims folder is different from that in the insurance records, unless VA Form **29-218** or a similar document was sent to the address before and returned unclaimed.

h. lf it is necessary to reduce or increase the dollar amount, follow procedure as outlined in paragraph 14.05. lf a current address is obtained [and it is not necessary to reduce or increase the dollar amount,] follow procedure as outlined in paragraph 14.03.

i. Prior to October **3, 1966,** liability accounts were maintained clerically. A VA Form **9-5879,** Returned Check/Pending Refund/Cash Dividend Control Card, was used to maintain a record for the pending disbursement.





j. If the entire file number was missing when the liability records were being converted to tape, bogus numbers were assigned consecutively for each record using the V-prefix code.

k. Public Law 91-291, whereby a claim for unpaid special dividends declared prior to January l, 1952, will not be honored, is not a bar to the payment of these special dividends where they have been established as liability accounts.

&1. A liability record for miscellaneous payments due insurance award beneficiaries will be maintained on the liab[1]ility account master record. These are payments which remain due after the face amount of the policy has been paid. The liability established for these credits will be included with the controls mentioned in MP-4, part V, Chapter 8. The award liabilities will not be automatically generated nor disbursed by the system. There will be only one record

for each name and only one amount will be shown. Input will be clerically prepared by the Accounting Section, Finance aid Data Processing Division.]

14.02 SYSTEM GENERATED LIABILITIES

a. When the disbursement function processes a cash dividend, a cash withdrawal from a dividend credit!deposit segment, or a pending disbursement transaction and return mail is indicated on the master record, a liability account is created for the amount of the disbursement transaction. A VA Form 29-5886a, RPO (Record Printout) or VA Form 29-5886b, Insurance Record Printout, is generated by the system showing reason code 616.

b. The RPO generated with reason code 616 will be sent to the Insurance Files Group for pulling of the insurance folder. Upon receipt of the folder it will be reviewed to make certain that all appropriate actions have been taken to obtain a new address. Any such actions omitted will be taken at this time. Note the action taken or no action necessary, as appropriate, on the RPO, initial and file in the insurance folder.

14.03 DISBURSEMENT OF LIABILITY AMOUNTS

a. An address change input document VA Form 29-5934, Change of Address for Insurance Purposes, or VA Form 29-5891a, Address or Trailer Input, transaction type 081, introduced into the daily processing runs will cause automatic disbursement of a liability amount if:

(l) There is a corresponding insurance master record;

(2) The total amount to be disbursed is less than $75;

(3) The date of the item(s) is less than 6 months old and

(4) The insurance master record indicates there is a disbursement pending.

b. A special indicator must be set on the liability master record before a disbursement can be accomplished if:

(1) The total amount to be disbursed is $75 or more;

(2) The date of the item is 6 months older or more; or

(3) There is no insurance master record.

The special indicator is set when an address change transaction does not meet the edits and is rejected for a voucher audit review.



c. When an insurance master record exists and the total amount to be disbursed is $75 or more, or the date of the item is 6 months old or more, an address change input document introduced into the daily processing runs will:

(l) Change the address on the insurance master record;

**(2)** Turn off the returned mail and disbursement pending indicators;

**(3)** Set the special indicator on the liability master record and

(4) Reject the address change input document for assignment of a *special batch number* (ST). The legend LIAB will appear in the first line of address on the reject input.

The reject input will be sent to the Voucher Audit Unit for assignment of a special batch number and to be reintroduced into the daily processing runs for disbursement of the liability amounts. The insurance folder will accompany the reject if the input had not previously been reviewed by the Voucher Audit Unit when initially introduced into the system.

d. When there is no insurance master record, a VA Form 29-5896a, Life Input, transaction type 080, and VA **Form 29-5891a** will be prepared and sent to the Voucher Audit Unit for assignment of a CT batch number. The

input will be inserted into the system where it will be rejected after setting a special control bit on the liability **record.** The rejected input documents will be sent to the Voucher Audit Unit for verification and the assignment of a special ST batch number for reintroduction into the system to disburse the liability. The insurance folder will accompany the reject if the input had not previously been reviewed by the Voucher Audit Unit when initially

e. In every instance in which there is no insurance master record, the miscellaneous change and address input must be sent to the Voucher Audit Unit for assignment to a CT batch number to permit the input to move through the daily processing runs to set the special bit. The setting of the special bit will allow a miscellaneous change, transaction type 080, and address change, transaction type 081, input with an ST batch number to disburse **the** liability amount.

[f. Insurance award liabilities exist on death cases when the insurance was not in force at the time of death and credits existed on the account. These credits **are** refundable **to** the estate of the insured. These award liabilities are maintained as **a** part of the regular insurance liability file, and **can** be identified on the liability listing as object code 7 items. Any actions required to insert, delete or refund object code 7 cases are the responsibility of the Finance Division at the Philadelphia VA center or the Finance and Data Processing Division **at** the St. Paul VA center.]

## 14.04 ADDRESS CHANGES

**a.** Requests for a current address will be coded with a red **L** in the lower margin of the form or form letter released.

b. All address changes, identified as related to a liability **record,** will **be copied** on an address change input document. The source document will be noted as to the action taken and filed in the insurance folder. The input transaction(s) will be sent to the Voucher Audit Unit for review before insertion into the daily processing **runs to trigger a** disbursement.

**c. When an** item rejects because it did not contain **a** special batch number, and the insurance records do not show **a** valid source of the address, it will be necessary to write to the veteran. **The** veteran will be requested to submit over his **or her signature** identifying information; i.e., date of birth and service number or social security number. When received, this information, together with an address change input, will be sent to the Voucher Audit Unit.

## 14.05 FILE MAINTENANCE TRANSACTIONS

**a. Processing Insert Transactions.** When **a** pending disbursement is to be clerically entered in the liability master record, a VA Form 29-8328, transaction type 036, will be prepared. The input document, insurance folder and related material will be sent to the voucher Audit Unit for verification and assignment of a T batch number, and introduction into the daily processing runs. The returned mail and disbursement pending indicators will be turned on automatically. **The** programs will assign a record number to each separate liability for the same policyholder. It is possible to maintain 30 liabilities on tape for each insurance file number.

b. **Processing Change Transactions**

(1) A VA Form 29-8328, transaction type 034, will be clerically prepared when a liability item was previously created and additional information is to be placed in the record and/or any of the data are **to be** changed.

(2) The record number field will identify the record for **a** particular file number to be changed. To secure **a** listing of all liability records for a file number, **a** VA Form 29-8328 will be prepared showing 00 as the record **number.** These **items** will **be listed** on the daily list captioned, Liability Accounting, Reject List and Master Printouts.

**c. Processing Delete Transactions**

**(l)** A VA Form 29-8328, transaction type 035, will be prepared when action is taken outside the system to disburse or dispose of **a** liability amount, or an error in inserting a liability master is such that **a** change transaction will not suffice; i.e., incorrect **file** number or incorrect life fund.

(2) To delete all liability master records for a file number, 00 will be entered in the Record Number field and the full amount of liability in the Amount field on VA Form 29-8328. The system will automatically remove the retumed mail and disbursement pending indicators on the insurance master record and generate an RPO reason code 072.

(3) To **delete** an individual liability master record, the number of the record involved will be entered in the Record Number **field,** and the amount of the liability for that particular record in the Amount field on the VA **Form** 29-8328.

(4) Liability master records **are** not automatically transferred [ j **and** must be deleted to effect the transfer. When transferring a liability **record** from one office to the other, input will be prepared and released to delete the liability record(s). Also, furnish the Finance and Data Processing Division with a memorandum requesting preparation of VA Form 1033, Interoffice Transfer Voucher, **and** citing identification information pertinent to the liability record(s). The office receiving the records will, upon receipt of VA Form 1033 from the Finance and Data Processing Division, prepare and release the input to establish the liability record(s) identified on the form. ADP control account 09 will be used on the input involved in these transactions.

(5) When **a** liability amount is disbursed outside the system by means of VA Form 4-706, Notice of Refund and Refund Worksheet, ADP control account 52 will **be** credited on the input.

**d.** When **a** liability account(s) is to be included in a death award, total and permanent disability award, cash surrender or matured endowment, ADP control account 09 will **be** credited on the liability input.

e. As of August 30, 1968, liability records with N numbers only, where the amount of the liability was $25 or more were identified and cards were punched, interpreted and listed; were forwarded to the Central Office Index Division to note the existence of the outstanding liability on the master index cards. When one of these liabilities is disposed of during the lifetime of the insured, VA Form 07-7213, Index and Locator Master Record **File** Maintenance Input **Sheet,** will be prepared requesting the liability indication be deleted from the BIRLS master record. The form will be sent to the Teletype Unit.

**14.06 REJECTS**

All transactions not meeting the required edits will be automatically coded and rejected. The reject reason code will be indicated on the card that is output from run 130 or 140. These items will appear on the daily transaction reject list. The reject reason codes are listed and defined in **MP-6,** part II, supplement No. 1.4.

**14.07 TRANSACTION LISTINGS**

**a.** Liability transactions processed will be printed on the daily transaction history list. A **record** printout is not provided for in the maintenance of the liability master records. Therefore, the list captioned, Liability Accounting Reject List and Master Printouts, will be used to record listings of liabilities, when requested.

b. The types of liability transactions that will appear on the daily transaction history list are as follows:

| Transaction Type | Description |
|---|---|
| 030 | Name change. |
| 034 | Clerical change in liability record fields and request for list of liability master records. |
| 035 | Clerical delete. |
| **036** | Clerical insert. |
| **606** | System generated dividend payment insert. |
| 609 | **System** generated premium refund insert. |
| 629 | Request for disbursement from liability master record. |

[c. **Disbursement Object Code** (Type of disbursement)

**S** surrender

credit

deposit
(current year)

J

0-Noncash dividend **5-Cash**

**l-Cash** dividend 6-Loan
**2-Cash** withdrawal of dividend
7-Refund to estate of insured
**3-Cash** withdrawal of dividend
8-Regular annual dividend

4-Refund 9-Liability refund

**14.08** DELETION AND DISBURSEMENT OF LIABILITIES

A VA Form 29-8364, Insurance Liability Delete/Disbursement Card, will be generated for a delete transaction or disbursement of a liability. The card will reflect whether the transaction is a delete or a disbursement. The amount and ZIP code fields will be left blank, if the transaction is a delete. This card will be filed in the insurance folder to be used as an audit trail.

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**Publication Date:** **May 12, 1980**

## 15.01 GENERAL

a. Most designations or changes of beneficiaries and/or selection of optional settlement are received on VA Form 29-336, Designation of Beneficiary and Optional Settlement. However, many others are received and/or [are] a part of other insurance forms. B&O designations received on, or as a part of other forms, are categorized as a formal designation. Informal requests for B&O designations are those received in writing over the signature of ilk insured and, provided the insured's intentions are clearly stated, are also acceptable.

b. All B&O designations that are a part of, or accompany any medical underwriting actions requiring the attention of a **Lay** Medical Approver, will be controlled and processed in the Medical Determination Section. All others will be processed in the Policy Service Sections.

c. and d. (Deleted.)

e. B&O designations, both formal and informal, will be received in the Policy Service Sections accompanied by matching VA Forms 29-5886b, Insurance Record Printout. when multiple actions are indicated in connection with any B&O designations, and the insurance folder is needed to complete the other actions involved, none of the material will be separated.

f. **The** priority of routing will be to the Policy Service Section via the [Insurance Files Section], and then to the operating element having responsibility for the additional processing.

g. Disbursement actions such as refunds, dividends, loans and cash surrenders, will take priority over B&O changes.

h. All acceptable B&O designations are microfilmed for security purposes. Each microfilm reel is identified by a five-digit number, the first three of which represent the reel number which corresponds to the processing day number within a calendar year (I through 365; 366 for leap year). The final two numbers represent the last two digits of the processing year. This reel number is entered in ilk master record and appears in flu policy segment of all RPO's. Whenever a reel number of 00000 appears on an RPO, it is an indication that no B&O designation has been recorded since ilk security program commenced in late 1958.

i. The procedures for handling B&O designations apply whether the forms are processed in the Medical Determination or the Policy Service Section.

j. B&O designations for RH TEMPORARY MASTER RECORDS will not be processed until the insurance is issued.

### 15.02 INITIAL PROCESSING BY POLICY SERVICE TECHNICIANS

The B&O designations will be reviewed to insure the following:

a. That each designation is properly signed; initials and surname are sufficient. The name represented by the signature must correspond with the name of the insured appearing on the RPO (record printout).

b. The designation of beneficiary and selection of option should be sufficiently clear to provide no difficulties in effecting settlement should a claim arise. (See M29-I, pt. I, ch. 26.)

c. The basic B&O designation, VA Form 29-336, is a two-part form, the second part of which, after processing, is retuned to the insured for his or her records. Other VA forms on which B&O designations are made do not provide a copy for this purpose. Therefore, all B&O designations that are made on forms other than a VA Form 29-336 must be photocopied to provide a copy to be returned to the insured. Processing will not be initiated by a Policy Service technician unless a duplicate copy accompanies the original. It is the responsibility of the designated [technician] to provide a photocopy of all formal B&O designations that are received without a duplicate copy.

d. The initial examination should determine that the policies to which B&O designations are applicable are properly identified. If tile RPO indicates that the insured has only a single policy in force, all B&O designations, whether formal or informal will be identified with both the file and policy numbers plus identifying prefixes of both. If more than one policy is in force, and the insured clearly indicates that a B&O designation applies to all policies in force, all applicable policy numbers and corresponding prefixes plus flu file number and prefix will be entered on flu applicable designation(s). Ml file and/or policy number identification not entered by an insured, but supplied instead by a Policy Service technician will be entered in red on the designation. When file and policy number identification is supplied by the [local] Index Unit, care must be exercised to ascertain that the numbers (usually penciled notations) apply to the B&O designation(s) being processed. If this determination is affirmative, the numbers supplied by the [local] Index Unit will be entered or traced in red, as applicable. When multiple policies exist, a clear indication that a B&O designation applies to all policies in force will be assumed in those instances when the insured indicates one of the following:

(1) Correspondence by itself or accompanying an application implies that the designation is applicable to all contracts. The word ALL in the column entitled, Share to Each or Amount to Each, is insufficient for ills purpose unless the insured supplies the identification for all active policies on flu B&O designation.

(2) A B&O designation is acceptable if the Share to Each or Amount to Each column contains an amount or amounts (in lieu of fractions or decimals), the total of which equals the full amount of insurance in force.

(3) If the insured does not submit a form for each policy in force but completes item 2 or 3 on the VA Form 29-336 for one of the active accounts, process the request. [An FL 29-727 will be prepared to invite a change to the additional policies.] Complete items 2 and 3 of VA Form 29-336 for each additional active account and attach to [FL 29-727] for release to the insured. In the lower right corner of the designation processed, enter "VA Form 29-336 [released] for policy number

(4) When more than one VA Form 29-336 is received and no number or the same number is shown in block 3 of all of the forms, the following action will be taken:

a. If the number of VA Forms 29-336 received is the same as the number of active policies and the designations on all the forms are the same, they will be accepted, if otherwise in order.

b. If the number of VA Forms 29-336 received is not flu same as the number of active policies, or if the designations on an the forms are not flu same, a new VA Form 29-336 for each active policy, showing the file number in block 2 and the policy number in block 3, will be sent to the insured requesting clarification of his or her intent.

NOTE: As a result of the special B&O mailings, when a VA Form 29-336 is released for each policy in separate envelopes, some insureds occasionally return the completed forms in separate envelopes and they are not always received [at the same time. FL 29-727] will not be released upon receipt of a single VA Form 29-336 with a cut corner and the insured has more than one policy.

c. When B&O designations are accompanied by RPO's representing pending RH issues which are identified by the legend, Temporary Master Record, the Policy Service technician will requisition the folder and file the designation therein. The designation will be processed by a Lay Medical Approver if and when the insurance is issued.

d. When a B&O designation is received with an insurance folder and without an accompanying RPO, the folder will be examined to determine if there is insurance in force that would require the establishment of an insurance master record.

## Chapter 15 - Beneficiary and Option Designations

**A. A. Change: M29-1, Part II, Chapter 15.**

B. Procedure: 1. Add ??Note?? before paragraph 15.02d as follows:

Note: The latest revision of VA Form 29-336 (June 82) cancels all prior beneficiary and option selections, and unless indicated in item #5 on the form, this designation applies to all Government life insurance policies under that file number. Other B&O Designations, both formal and informal, will continue to be processed as outlined in paragraph 15.()2d.

2, Paragraph 15.02d, after the first sentence add the following:

(Where the new revision of VA Form 29-336 (June 82) is used, the designation will apply to all policies, unless the insured indicates which policy or policies it is intended for.)

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

ROBERT W. CAREY
Assistant Director for Insurance

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**NOTE: A contract on extended insurance that has *not* expired *is considered insurance in force.***

**(1)** If it is determined that a master record should be inserted an attempt will be made to obtain an **RPO. If** the input document rejects because it failed to match an item on the master record, the input documents necessary to establish **a** master record on tape will be prepared. The **B&O** designation will be inserted at the same time and the folder returned to file.

(2) If the review of an insurance folder discloses that a **B&O** designation applies to a USGLI (United States **Government Life** Insurance) contract that has matured because of permanent and total disability, the designation will be processed as any other designation. Additionally, a VA Form 3230, Reference slip [will be prepared showing] the insured's full name, file and policy numbers (including prefix) and the security reel number. The VA Form 3230 will be forwarded to the Operations and Input Section, Finance and Data Processing Division, for the preparation of **VA** Form 24-8223, Award Policy Input Card #2-ADP, to update the Insurance Awards master record.

(3) If the review of an insurance folder discloses that the designation applies to a matured endowment or to a cash surrendered contract, payable in monthly installments, the designation will be examined to determine its acceptability. The insured may only elect that the present value of any remaining unpaid guaranteed installments upon his **or** her death be paid to the beneficiary in one sum

or continue to be paid under the option originally selected for payment of the endowment or cash surrender proceeds. If any other optional mode of settlement is selected or if the designation is not clear, a statement will be prepared on bond paper [with a] tissue copy for the **folder** and forwarded **to** the insured for [ J completion and signature. The heading will be in capital letters; i.e.:

NATIONAL SERVICE LIFE INSURANCE DESIGNATION OF BENEFICIARY-MATURED ENDOW

**MENT or CASH SURRENDER).**

**Six spaces below the heading will be typed:**

I, **the** undersigned, under (endowment or cash surrendered) policy no. , the proceeds of which **I have** elected **to** receive in ( monthly installments or as a refund life income), elect that any remaining installments **due** or **to** become due at my death shall be payable as follows: _____

**A** copy of the incomplete or inadequate designation will be enclosed with the letter. A **B/O** reel number will be assigned and the designation will be photocopied. Additionally, a **VA** Form 3230 will be prepared as outlined in subparagraph (2) above.

(4) If a review of the insurance folder discloses that there is no insurance in force, the B&O designation will be filed in the folder without additional processing. The insured will be advised by letter that there is **no** insurance in force and that no action has been taken on the B&O designation. If any of the insured's contracts are eligible for reinstatement, he or she should be advised of the reinstatement requirements. Reinstatement requirements should not be included if the folder discloses evidence of a medical rejection. An opinion will be obtained from a **Lay** Medical Approver as to whether or not reinstatement requirements should be furnished.

**g.** In all instances, when reviewing a **B&O** designation and sufficient clarity is lacking, or the designation is incomplete or illegible, it will be processed as outlined in paragraph l 5.04.

## 15.03 ADDITIONAL PROCESSING BY POLICY SERVICE TECHNICIANS

a. Upon verification that B&O designations meet the conditions outlined in paragraph 15.02, the Policy Service technicians will initiate additional processing as follows:

1) All acceptable B&O designations submitted on VA Forms 29-336 will be completed by entering the current B&O security reel number in the item captioned FOR VA USE ONLY which is located in the upper right portion of the form. Additionally, the Policy Service technician will enter his or her signature and the current date on the bottom portion of the form in the spaces provided.

2) Acceptable B&O designations that are submitted on other VA forms will be completed by superimposing an APPROVED stamp to which will be added the signature of the Policy Service technician and the current date. This stamp serves as an indication that actions related to the basic form or application have also been approved. The B&O security reel number will be entered in any available clear space in the upper right portion of the form, preferably in the item captioned For Use of VA Index.

3) Acceptable informal [B&O designations] will be completed by superimposing [an INFORMAL B&OJ stamp [ ] to which will be added the [current date and initials] of the Policy Service technician. The current B&O security reel number will be entered on [the B&O designation J in the upper right portion of the correspondence. [No development will be taken for clarity or to obtain missing information. Instead, a VA Form 29-336, will be sent to the veteran. The Policy Service technician will enter the insured's name, address, full number and full policy number on the VA Form 29-336, before releasing. In addition, VA Form 29-8769, Important Notice-Regarding Receipt of Informal B&O Designation,

will be attached to the lower part of VA Form 29-336. A copy of the acceptable designation will not be mailed to the veteran.]

4) The RPO's accompanying the B&O designations will be used as source documents, whenever possible, for preparing the input required to enter the B&O reel numbers in the master record. [ ] VA Form 29-5934, Change of Address for Insurance Purposes, will be used to insert the change of address and/or social security number. Whenever the RPO is required for some other action and cannot be used as a source document, the necessary input documents will be prepared. Extreme care should be exercised when processing B&O designations on multiple-policy cases to insure that the correct RPO is selected for updating the master record. [ J When a single designation is applicable to more than one policy, the RPO's (or other input documents) representing all the policies to which the designation is applicable, should be processed.

b. The originals of all B&O designations will be stamped Ready for File and accumulated by a general clerk who has the responsibility for batching them for delivery to personnel in charge of the [security] microfilm operation. The duplicate copy of all [FORMAL] B&O designations will be released for mailing to the insureds.

**15A**

~~9-l, Part II
**Advance Manual Change No.** 6-80
November **24, 1980**

**A. Issue Affected: ~~9-l, Part II.**

**B. Purpose:** To revise procedure **when trustee is named as beneficiary without** a **statement that** the **VA has no liability to see that the trustee properly disburses the proceeds.**

**C. Text: Page 15-5 - Delete paragraph 15.O4f and substitute the following:**

l5.O4f

`1"When a trustee is named as beneficiary, the designation will be accepted without any development, **even if it** does not contain a statement that the VA has **no** liability as to how the trustee disburses the proceeds."

**D. New or Revised**
Insurance Forms: Form Letter 29-727

BERT W. CAREY
Assistant Director or Insurance

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c. The RPO's which will serve as source documents will be controlled and batched at a central point throughout flu day and forwarded to the DPC for the preparation of input documents. Input documents prepared by Policy Service technicians will be similarly controlled.

d. All completed designations will be batched, prominently identified as B&O designations, and delivered on a daily basis to the Administrative Division. A high priority will be established for associating and filing these designations in the insurance folders. [When] , a folder for an active account has been retired to a Federal records center, the processed designation will be used as authority to reactivate the folder.

15.04 PROCESSING IRREGULARITIES

a. Any B&O designation that fails to comply with M29- I, part I, chapter 26, that lacks clarity; that is incomplete or -illegible; or fails to comply with the guidelines outlined in this chapter, will be considered an irregularity and will require communicating or corresponding with the insured. In most instances, deficiencies with respect to missing information and incomplete or unacceptable designations, can be clarified by use of (FL 29-727.] When this letter is [ J unsuitable, a dictated or **[AT** (automatic typewriter)] letter may be used. [The latest edition of] VA Form 29-336 [ ] should be enclosed with flu letter. The B&O designations will be entered and become a part of the permanent insurance records after processing (microfilming, etc.). In these cases, the duplicate copy will be mailed to the insured with the [FL 29-727] and the [ ] VA **Form** 29-336.

b. When a designation cannot be **made** a matter of record because it is unsigned, it will be returned to the insured with a letter of explanation. If there are other discrepancies on the designation, the letter will also explain them to the insured. When appropriate, a VA Form 29-336 will be enclosed for the use of the insured. The designation will not be processed nor a diary established for followup purposes.

c. and d. (Deleted.)

e. When a designation contains two or more principal or two or more contingent beneficiaries and the survivorship clause is not shown, clarification will be requested from the insured.

*NOTE:* Clarification will not be required in those cases when *the* designation appears on a form which explains how *the* proceeds will be paid in the event the survivorship clause is not included.

f. When a trustee is named as beneficiary, the designation should identify flu trust and include a statement that flu insured acknowledges that the Veterans Administration has no liability to see to flu application of flu proceeds of [U.S.] Government Life Insurance by ilk trustee to the fulfillment of the purpose

of the trust. If the designation does not include the statement, a VA Form 29-336 will be prepared showing the statement and released to the insured **with** a request for his [or her] signature.

(I) The insured may designate a trustee as beneficiary by Last Will and Testament without specific naming of such trustee in the beneficiary document in his [or her] insurance records. Under these circumstances, flu insured will be asked to complete, sign and return a VA Form 29-336 on which the following statement has been typed in the principal or contingent block, as applicable:

l designate as (principal) (contingent) beneficiary the trustee named under my Last Will and Testament; however, if evidence satisfactory to the Veterans Administration is furnished that no trustee can qualify to receive the proceeds, payment shall be made to my estate.

**The insured will be informed he is limited in his [or her] selection of optional settlement to Options l and 2.**

(2) If the insured submits a Standard Bank Trustee form which states it is approved by The American Bankers Association and it is properly completed, it will be accepted as a designation of beneficiary and election of optional settlement. The Policy Service [technician] will enter ilk designation by dating and signing the bottom portion of the form in the spaces provided. After processing is completed, the duplicate of the form, or a photocopy if an original only is received, **will** be





released to **the** insured or to the bank if **it** is clear **from the correspondence received from the bank that the bank is representing the** insured.

**g.** If **a** contingent **beneficiary was** not named, ilk insured will be requested to complete another VA Form 29-336, if he **[or she] desired to do so.**

*NOTE:* This action will not be taken if *the* insured completed a form which contained the information that if no contingent is named, it will be assumed that none is desired.

h. **[If]** Option 2 is **selected and ilk number** of installments **are** not shown, clarification will be requested.

*NOTE:* *If the* form contains the statement that the beneficiary may choose payment over a period of *36* to *240* months, when *the* number of months was not indicated by the insured, clarification will not be required.

i. **lf more than one** principal **or more than** one contingent beneficiary is shown and the share to each is not shown, the case will be further developed. However, if **the** phrase **SHARE EQUALLY or SHARE AND SHARE ALIKE is added to the designation, development is** not **necessary.**

**j.** **When the designation provides** that the **proceeds** of **the** insurance be withheld until the beneficiary(ies) reaches **a** given **age, the insured** will **be informed that the VA** cannot withhold payments under these conditions.

k. A **beneficiary's** own first **name should be** shown on a designation of beneficiary. If it is not shown, the insured will be **requested** to furnish **the name(s). If** the **beneficiary's address is** not shown, no further development is necessary.

**l.** **Relationship of flu beneficiary to flu insured** should **be** shown for identification at the time of a claim. If relationship is not shown, **it** will **be requested,** except when **the** beneficiary named is a firm, corporation or legal entity.

**m.** If the insured has more **than one** contract **and submits** a **VA** Form 29-336 for one policy only, he [or she] will be **sent a VA Form 29-336 for each of the active** contracts. **(See** NOTE in par. I5.02d for exception.)

**n.** **The insured may provide that settlement should** not **be made** to **a** beneficiary unless flu beneficiary survives the insured **by a given number of days (Common Disaster** Clause). In such cases the designated period cannot exceed 30 calendar days. If **more** than 30 **days are requested,** the **insured** will **be** informed of the restriction and requested to complete another VA Form 29-336.

o. **Since** the **VA** cannot **be responsible for** how the proceeds **of flu** insurance will be used after payment has been made **to the beneficiary,** any reference to **such a statement** on **a** designation should be brought to the attention of the insured. He **[or she]** will be **requested to complete another form,** omitting such reference.

**p.** No development **is** necessary if the signature **and/or address of** a **witness is missing.**

q. When an **inquiry or a designation of beneficiary is received** in which the insured has indicated that the purpose of the inquiry or **change** is to **comply** with **a court order** prohibiting or directing a change of beneficiary a letter will be sent to the **insured. He [or she]** will **be advised that under** the **law** and the policy provisions, an insured [may not] divest himself [or **herself] of ilk** ownership of **a** policy, **nor can he [or** she] make **a** irrevocable beneficiary designation. The insured at all times has the **right** to **change ilk beneficiary of a Government life insurance** policy without the consent of such beneficiary even though he **[or she] has entered into an agreement** not to do **so.**



r. If the insured submits a VA Form 29-336 with Option **l** preprinted on the form and enters a different option without deleting the preprinted **l,** [or] if a form is received with additional words, marks or accompanying evidence that makes the intent of the insured as to the option [selected] questionable, it will be necessary to clarify the designation. [If, during routine review of an insurance folder, the option selected on the latest beneficiary designation is questionable, a letter will be released requesting clarification.]

s. when a copy of a previously accepted beneficiary designation is used to request a change of beneficiary and/or option, it will not be accepted unless each change is clearly initialed or otherwise marked to indicate it is the act of the insured and the copy is redated. A VA Form 29-336 will be released with a request that the insured complete, sign and return the form to confirm the change.

t. Whenever the insured designates the beneficiary as SAME AS PRIOR DESIGNATION, the RPO will be examined for a B&O reel number. If the RPO does not have a B&O reel number, the insurance folder will be requested. If there is no record in the folder of an acceptable designation of beneficiary and optional settlement, a VA Fond 29-336 will be sent to the insured with a request that the designation be restated.

u. When a modified life policy with disability waiver in force is automatically reduced and a replacement policy is issued, a VA Form 29-336 will be enclosed with the new policy. The insured will be requested to designate a beneficiary and optional settlement for the new policy. If the reply indicates that the current designation on the modified life policy applies to the replacement insurance, the statement will be filed in his or her insurance folder.

v. When a beneficiary and option designation is submitted by a fiduciary or the intent of the insured is not clear, it will be forwarded to the Chief of the Insurance Death Claims Section by the Policy Service Section supervisor (or designee) after it has been assigned a reel number and microfilmed. A VA Form 3230, Reference Slip, will be prepared for review by the chief of the Death Claims Section.

(]VOTE: Enter tile *policy* and *reel numbers on the* VA Form 3230.)

**(l)** lf after review by the Chief of the Death Claims Section, the designation is found to be ACCEPTABLE, it will be noted ACCEPTABLE, signed and dated. The original copy will be forwarded for filing in the insurance folder and the duplicate released to the insured.

(2) If the designation is not acceptable, a letter will be released stating the reason why the designation is not acceptable or why clarification is required. A new VA Form 29-336 will be furnished. The original copy of the designation will be forwarded for filing in the insurance folder and the duplicate copy destroyed. No followup action will be taken.

15.05 DESIGNATIONS NOT TO BE ENTERED

a. when a form or letter containing a beneficiary designation is not acceptable, the insured will be advised that it is not complete or clear, and will be told how to correct the matter. Stamps, notations or other entries as to nonacceptance will not be placed on the document, except as provided for in paragraph 15.06a. when applicable, VA Form 29-336 will be partially prepared showing the name, address, file and policy numbers. No attempt will be made to inform the insured how the insurance proceeds will be paid in the absence of further action by the insured. If the insured refuses to take corrective action, insisting that the designation be recorded as presented, it will be *ENTERED.* The insured will be informed that it has been recorded as submitted, but because of the objectionable feature(s) which were brought to his or her attention, that delay and even possible litigation may result at the time of claim.

b. When a designation of change of beneficiary is submitted which is suggestive of an assignment, a letter will be sent to the insured advising that the proceeds of a Government life insurance contract are not assignable by the insured. The insured will be further advised that since the designation or change is questionable, he or she should furnish a statement informing the VA of the purpose and circumstances under which the designation was made. The case will be diaried for 1 5 days.

*NOTE:* *An* insured's motive for a beneficiary designation *change is not questionable* as *an improper* assignment in the absence of language indicating an attempt to restrict *the* right to execute *any* later changes in beneficiary designation an insured might choose to make. Individual cases should be reviewed by *the* Chief Death Claims Section *(295)* to determine if a questionable change constitutes *an* attempt to prevent a later change or merely states insured's motive for the change.

(I) If the insured fails to reply to the VA letter, the request will not **be** entered or microfilmed. It will remain in the folder for consideration if and when a claim is filed.

**(2) If a reply is received and the information is inadequate to make a determination as to whether the designation** is **an assignment, and/or the insured insists that the designation be recorded, the request will be *ENTERED* and the insured informed that the request as submitted, has been made a matter of record. He or she will be further informed that this action does not imply acceptance of the designation and that its validity may be subject to further proof when the insurance becomes a claim.**

**(3) When flu insured states that the designation is an assignment, or when the information furnished discloses that it is an assignment, the request will not be *ENTERED. A* letter will be sent telling the insured that since the proceeds of the policy are not to be assigned, the request for a change of beneficiary is not acceptable. A VA Form 29-336 will be released with the letter.**

c. If an estate is shown as beneficiary, payment must be made under Option I. If any other option is selected, the designation will not be entered. The insured will be advised that an installment option is not available when an estate is named. VA Form 29-336 will be enclosed.

d. Payment of insurance under Option 3 or 4 is prohibited in the case of beneficiaries who are not persons or who are acting as trustees. When this condition is present, the designation will not be entered. The insured will be requested to select another option. VA Form 29-336 will be enclosed.

e. Options 3 and 4 may not be selected if a trustee is named principal beneficiary. If this condition exists, a VA Form 29-336 will be sent to the insured requesting he or she to select Option l or 2. However, a contingent beneficiary may, as trustee, receive the remaining installments under Options 3 and 4 if the principal beneficiary survives the insured but dies before receiving all guaranteed installments.

f. A designation or change of beneficiary and/or option submitted by a person having a general power of attorney is not acceptable. The designation will not be entered unless it is accompanied by a properly executed power of attorney specifically designating or changing the beneficiary. If the request is not acceptable, the person submitting the request will be advised that the insured must complete a VA Form 29-336 or grant another power of attorney specifically authorizing the desired designation.

g. If restrictions are imposed, such as marriage, education, employment, residence, etc., the designation will not be entered. The insured will be advised that the VA may not accept any designations of beneficiary which include such restrictions on the eligibility of the beneficiary to receive payment. He or she may provide in a trust agreement that a beneficiary receive all or a share of the insurance proceeds if the beneficiary meets certain restrictions: however, the VA will not be responsible for the execution of the terms of the agreement and a statement to that effect must be included in such a designation. A VA Form 29-336 will be enclosed with the letter to the insured.

15.06 SUPPLEMENTAL PROCEDURES INVOLVING INCOMPETENTS

a. A request for designation or change of beneficiary and optional settlement for an insured who is shown to be mentally incompetent will be entered and acknowledged. A duplicate or photocopy of the request will not be released. The notation, *MENTALLY INCOMPETENT,* will be entered in the left margin of the form or request. In addition, an attempt will be made to obtain evidence of the insured's testamentary capacity to make or change a beneficiary and/or optional settlement.



(1) When the insured is a **patient at a VA hospital and a statement as to his or her testamentary capacity** does **not accompany the change of beneficiary, a letter will be sent to the hospital requesting a statement from the** ward **physician attesting to the insured's testamentary capacity at the time the change was signed.**

**(2) If the insured** is **under guardianship and** is **not in a VA hospital, the fiduciary will be contacted** and **apprised of the fact that the insured is attempting to change** his or **her beneficiary and/or optional settlement. The** guardian **will be further advised that a statement from the insured's physician, attesting to the testamentary capacity of the veteran, would be helpful in determining the** correct **beneficiary at the time the insurance becomes** a **claim.**

(3) When **in the development of these cases, a physician positively states that the insured did** or did **not have testamentary capacity at the time the designation or change of beneficiary was made, the evidence may be filed without its referral to** the **underwriting medical consultant. However, if examination of the information received in conjunction with the evidence of** record does **not satisfactorily resolve the** issue, **the folder will be referred to the medical consultant for an opinion. The medical consultant will consider all of** the **available evidence. He or she** will **then** express **an opinion as to whether or not the insured understands the nature of** his **or her act and will complete VA Form 29482, Request for Medical Opinion, accordingly. If the medical consultant cannot determine the insured's mental capacity, or when no evidence is submitted,** a **determination will be made when** the insured is rated **competent, or at the time of a claim.**



**(4) If the records disclose that the** insured requested a change **of** beneficiary and/or **optional settlement while mentally incompetent and was thereafter rated competent** and has **not submitted another request since restoration to competency, a VA Form 29-336 will be sent to [the** insured] for completion.

**b.** If the insured does not have **a** fiduciary and the rating of incompetency **has** not been removed and evidence is received which indicates that lie or she may be competent; **i.e., is working or there has been** a material improvement in the mental condition, the folder **will be sent** to ilk Insurance Claims Section for **a** determination **as** to whether the insured can be held as competent.

c. Determination involving the testamentary capacity **and/or competency of** the insured will not be made in those cases in which the insured periodically submits **a B&O change. In** such **cases,** the change of beneficiary will only be entered and acknowledged.

d. Generally, a guardian of an insured who has been adjudged incompetent **may** not make an original designation or a change of beneficiary or optional settlement for the insured. However, there have been decisions to the contrary depending upon the circumstances in the

case, the State statutes involved, **and** who was designated beneficiary by the guardian with the approval of the State court. Therefore, the VA will not pass upon **validity** of **such a** beneficiary designation at the time it is made.

(l) When **a** guardian submits a designation **or change of beneficiary for an** incompetent insured, the request will be assigned a B&O reel number and microfilmed **for** security **purposes. It** will not be **entered** and photocopies or duplicates will not be sent to ilk guardian. Instead, the guardian will **be advised** that the **request has** been made a matter of record, and that the validity of the request will be determined when **a** claim **for flu insurance is filed. This** procedure will be followed even though the request for change is accompanied by **a** court **order directing** such change.

(2) When **a** guardian is joined by **the** insured in the completion **of the request and** submits evidence as to the testamentary capacity of the insured, the procedure in paragraph I5.03a(3) will be followed. **If** no evidence of testamentary capacity is furnished, the guardian will be advised to have the insured complete **a** request **for** change of beneficiary and/or optional settlement when the insured has a lucid period, in which **case, a statement by a physician** attesting to the mental capacity of the insured should accompany ilk change.

15.07 MISCELLANEOUS INFORMATION

At any time a Policy Service technician is corresponding with an **insured** whose records contain a beneficiary reel number consisting of all zeros, the following paragraph will be included in the letter:

It is important to you that we have up-to-date beneficiary and option designations for your Government life insurance. Please complete and return the enclosed VA Form(s) 29.336.

**This will not be done if the insured will qualify (within 31** days) **for selection under the mailing procedures [J. If the folder is available and reveals that such action was taken within the past 2** years, **no further notice will be sent.**

b. When complying with subparagraph **a above,** or **answering** requests for B&O forms, a separate form should be mailed for each policy in force. Identifying file **and** policy **numbers** (and prefixes) should be entered on the forms before mailing. A request for B&O forms will remain permanently filed in the insurance folder whenever a request contains something of record value. The following are examples of items of record value that accompany requests for B&O forms:

(l) I have married and wish to name my **wife as** beneficiary.

(2) My wife and 1 are separated (or divorced) and I **wish to** name **my** parent(s) (or children) as beneficiary(ies).

(3) My beneficiary (or person by name or class) has died and I want to name **a** new beneficiary.

c. When a B&O designation **fails** to draw **any insurance** number in either the local index or in BIRLS (Beneficiary



**Identification and Records Locator Subsystem),** correspondence **with** the **originator will** be **initiated by the Administrative Division** for **the purpose of obtaining additional information to facilitate identification. If it develops there** is **no insurance in** force, **tl~ designation will be returned to ilk** sender.

d. Some insureds use various terms in selecting Option I for **the** payment of insurance proceeds. Among those that are acceptable **for** this purpose **are** lump sum; lump sum-one payment; [ ] cash payment in lump **sum** or single sum; or single **sum** by itself. Unacceptable terms **for** selecting Option I **are cash (by** itself); all; full amount; in full; full; full **sum;** full payment; total; or 100 percent. When a designation is received containing one of the unacceptable terms, an [FL 29.727] will be released to the insured requesting clarification.

**e. The Policy Service Section will process beneficiary designations requested on matured endowment contracts payable in installments, even though flu designation** may **be received after the matured contract has been transferred to the insurance awards system. The designation will be processed and microfilmed the same as any other designation. When the processing has been completed, the carbon copy or photocopy** of **the designation, stamped with the microfilm reel number and year, will be forwarded to the Finance [activity]. They will prepare VA Form [4] - 8223, Award Policy Input Card #2-ADP, to update the beneficiary designation reel number on the Insurance** Awards **Master Record. The copy of the beneficiary designation will then be mailed to ilk insured.**

f. When a communication, signed **by** the insured, designates an attorney, trust **officer or** insurance agent as the representative **for** insurance purposes, **or** otherwise requests that a third party be furnished the beneficiary designation, a duplicate or photocopy of the designation **will be mailed** to such representative. It will not be necessary that a normal power of attorney or VA **Form 294337,** Authorization for Release **of** Information From Insurance Records, be of record.

15.08 DISAPPROVED APPLICATIONS CONTAINING B&O DESIGNATION

When **a B&O** designation is part of an application **for** contract change and the application is disapproved, the designation, if otherwise acceptable, will be **made a** matter of record. A VA Form 29-336 will be released with a dictated letter, requesting flu insured to complete, sign and return flu **form to** confirm the designation as it **appears** on the disapproved application or, **if** he or **she** so **desires,** to designate a new beneficiary. A copy of the letter to the insured will be made a matter of record. The designation on the disapproved application will receive regular processing, including assignment of a reel number and microfilming.

15.09 APPLICATION FOR CASH SURRENDER VALUE AND MATURING ENDOWMENT

When an insured **submits** VA Form 29-1546, Application **for** Cash Surrender Value, VA Form 29-5767, Matured Endowment Notification, or VA Form 29-5772, Loan and Cash Surrender Values, and selects an installment option, the beneficiary information should be completed.

a. If the information is missing or incomplete, the insured will be informed that a complete designation is necessary when an installment option is selected fro the proceeds of the insurance. The procedure outlined in paragraph l5.02f(3) will be followed.

**b.** When the designation **is** complete, a security reel number will **be** assigned. The application will also be microfilmed and a copy of the application will be sent **to** the **insured for** his or her **records.** VA Form 29-5892a, Policy

Input, or VA Form 29-8530, Life/Miscellaneous, will be prepared to insert the reel number into the master record **before** input is prepared to convert the record to an Insurance Award master record.

*NOTE:* *If* one or more beneficiaries are named *and an* option is selected, the designation will be considered complete.

15.10 OPTIONAL SETTLEMENT CLAUSES DEFINITIONS

a. PER STIRPES-By or according to stock or root; by right of representation. For example: When descendants take by representation of their parent, they are said to take PER STIRPES; that is, children take among them the share which their parent would have taken if living. (This clause is acceptable.)

b. BY REPRESENTATION-A fiction of the law, the effect of which is to put the representative in the place, degree, or right of the person represented. For example: The heir represents his ancestor. Used the same as PER STIRPES. (This clause is acceptable.)

c. PER CAPITA-When descendants take as individuals, and not by right of representation (per? stirpes), they are said to take *PER CAPITA.* For example: If a legacy be given to the issue of the insured and at the time of his death he had two children and two grandchildren, his estate shall be divided into four parts, and the children and the grandchildren shall each have one of the parts. (This clause is acceptable.)

**d.** **LAWFUL** ISSUE-This term is used to give the same effect as heirs. It **refers** to `lawful children of the insured. (This clause is acceptable.)

e. FULL RIGHT OF WITHDRAWAL-Any beneficiary while entitled to receive income payments may make withdrawals from the share of the fund held for the benefit of such beneficiary. When this clause is used on a designation, the insured will be advised that it is not acceptable and if he desires to allow the beneficiary to withdraw all or part of the proceeds, he should select option 1. The beneficiary then can receive the entire proceeds in cash or elect to receive part in installments.

**f.** SPENDTHRIFT CLAUSE-Generally, this clause is defined in commercial policies as follows: No beneficiary shall have the right to commute, anticipate, encumber, alienate, withdraw or assign his share of the net proceeds of a policy, or any interest or installment to become due thereon, or any part thereof, and to the extent permitted by law, no payments of interest or of principal shall be subject to such beneficiary's debts, contracts, or engagements nor to any judicial processes to levy upon or attach the same **for** payment thereof. When this clause **is requested,** the insured will be advised that payment of the proceeds of Government life insurance to a beneficiary is exempt **from** claims of creditors and is not liable to attachment, levy, or seizure by or under any legal or equitable process whatever, either before or after receipt by the beneficiary. Since this provision is specifically provided **for by** law, it is not necessary to include a spendthrift clause in the settlement instructions.

15.11 MICROFILMING

a. All incoming documents which contain an initial designation, cancellation or change of a beneficiary designation and/or selection of optional settlement will be microfilmed for security purposes with the exceptions heretofore provided. The documents, regardless of whether the beneficiary designation pertains to a principal or contingent beneficiary, or both, will be microfilmed.

b. The following documents, even though they are incomplete or require clarification, will be included:

**(1) VA Form 29-336.**

**(2) Any letter or other writing signed by the insured containing a designation or change of beneficiary and/or selection of optional settlement.**





**(3)** All **approved applications on which the beneficiary and optional settlement spaces** are **completed. In** cases **of medical applications, reproduce only part I of the application.**

**c. Assemble documents accepted and assigned the current day's beneficiary designation reference number daily and process as follows:**

**(I) Arrange documents by insurance file number in terminal digit** order.

**(2) Check** for **unnumbered documents and numbers other than the current day's number. Arrange documents having a beneficiary designation reference number in terminal digit** order of insurance **file** number **and microfilm as supplemental work groups to the original microfilm reels.**

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[CHAPTER 16. FILE MAINTENANCE

SUBCHAPTER 1. RECONCILIATION

16.01 RECONCILIATION OF ALLOTMENT/DEDUCTION CONTROL RECORDS WITH THE SERVICE DEPARTMENTS AND THE HINES DATA PROCESSING CENTER

a. The allotment/deduction control records are reconciled annually with the insurance allotment/deduction records of the Army, Army Retired, Air Force, Navy, Marines, Coast Guard, and the Hines DPC(data processing center). A match is made on social security or service serial number when reconciling with the service departments, and on claim number when reconciling with the Hines DPC. A comparison is made on name (first three digits of surname), effective dates of allotment or deduction, and monetary amounts. On deduction cases, no comparison is made on name.

b. When discrepancies occur, reject cards are produced for both the allotment/deduction control records and the service department and Hines DPC records. An error listing is printed of all discrepancies for use by the Philadelphia VA center; the service departments, and Hines DPC. Error listing and reject cards for allotment accounts are used by the Philadelphia VA center only. DFB account discrepancies are resolved by the Hines DPC.

## 16.02 RECONCILIATION OF THE ALLOTMENT/DEDUCTION CONTROL RECORDS WITH THE INSURANCE MASTER RECORDS

a. The reconciliation of the allotment/deduction control records with the insurance master records is accomplished periodically in run 730.

b. An error listing is printed when there are discrepancies between the allotment/deduction control file and the master record file. This listing will show the following types of discrepancies:

(l) Control file records which do not match the insurance master records on file number or file number prefix (code OS-CTRL).

(2) Control records and insurance master records which do not match on money (code AMT), total premiums (code PREM), and effective date of allotment/deduction (code DAT).

c. In addition to the listing of discrepancies, the following are produced:

(l) RPO's (Record printouts) requests when there are non matches between the control records and insurance master records on file number, money, total premium, or effective date of allotment/deduction.

(2) Pre punched input cards for run 140 to correct a non match on claim, service or social security number.

(3) Pre punched input cards for runs 160/170 to correct a non match on name code.

(4) Punched cards if the control file records do not have insurance file numbers (code OS-CTRL), or the insurance master records indicate how paid 3 or 6, but do not match control records (code OS-MAST). These punched cards will be merged and sorted by claim, service or social security number order, and by branch of service or regional office. A listing will also be prepared.

d. The sequence of the edit in run 730 is as follows:

| | | |
|---|---|---|
| (l) | File Number Error Type | OS |
| (2) | Money Fields Error Type | AMT |



| | | |
|---|---|---|
| (3) | Total Premium Error Type | PREM |
| (4) | Claim, Service Number or Social Security Number Error Type | COS |
| (5) | Effective Date of Deduction Error Type | DAT |
| (6) | Name Code Error Type | NAM |

*1* Does not apply to DFB accounts.

e. When a non match or discrepancy is located during the run, it is listed. Edits for other non match or discrepancy items on the same account are not made. When correcting a specific item, check the reconciliation discrepancy listing for other non matches or discrepancies according to the sequence of edit. For example: If the listing shows a non match on money (error type AMT), the line listing will be checked for a non match on total premium, claim, social security number or service number, effective date of deduction, and name code.

f. Processing of the reconciliation discrepancy listing. When the listing is received it will be referred by the Policy Service Unit Supervisor to the Miscellaneous Accounts and Service Unit. The Miscellaneous Accounts and Service Unit will check the pending file of RPO's (cash surrenders, matured endowments and death cases) and the pending allotment/deduction files for items matching the code OS-CTRL entries on the listing. The listing will be noted accordingly and returned. The Policy Service Sections will take action to correct non match or discrepancy items as follows:

(I) Non match on File Number (Error Type OS)

(a) Run 730 will produce RPO requests for these discrepancies. The legend 7304 will appear in the upper right corner of the RPO for identification and association purposes. One-line items from the *control tape* with a file number (OS-CTRL) which does not match a master record will be processed as follows:

i. Request insurance folder and an RPO.

2. Examine the records to find out why deductions are being currently received and why there is a non match with a master record.

3. When error is located, take corrective action. This may consist of refunds, full insert of account to tape, or request to a service department or a regional office for adjustments.

*NOTE.- No action is required if Miscellaneous Accounts and Service unit has a delete RPO control (XC, cash surrender or ME (matured endowment)).*

(b) Although the file number agrees some two-line items do not match because the file prefix on the control tape differs from the file prefix on the master record. Assume the master record is correct and prepare a VA Form 29-5923, Allotment/DFB Input Card to Run l60, to change the control tape.

(2) Non match on Money Fields (Error Type AMT). Run 730 will produce RPO requests on a non match in money fields. The legend 730~1 will appear in the upper right corner of the RPO for identification and association purposes. The insurance folder, RPO, and reconciliation listing will be examined to determine the discrepancy.

(a) If the listing and/or RPO indicates a change of distribution is necessary on the control tape for which distribution has previously been made, prepare VA Form 29~5923 to correct the distribution.

(b) If the listing and/or RPO indicates distribution on the master record is incorrect, prepare input to correct master record.



(c) If the listing and/or RPO indicates that clerical distribution and/or adjustment of distribution of pending allotment deductions is necessary, prepare VA Form 29-5923 to correct as prescribed in MP-6, part II, supplement No. 2.1, section 124.00.

(3) Non match Total Premium (Error Type PREM). Run 730 will produce RPO requests on this type of discrepancy. The legend 730-2 will appear in the upper right corner of the RPO for identification and association purposes. RPO output for this type discrepancy will, for the most part, be generated for those accounts that have been reviewed, converted, reduced or changed and the current deduction has not been increased or decreased to the adjusted premium rate. Process as follows:

(a) Obtain the insurance folder and determine the type of action that resulted in the change in the premium rate. If action was previously taken to effect the allotment adjustment and the diary date for the followup action has not been reached, no further action is necessary.

(b) If no action was taken to effect the deduction adjustment, or the diary date for the action previously taken has expired, process the case as follows:

l. If the account is being paid by DFB deductions, prepare a VA Form 29-5926, Request for DFB Action, to effect the deduction adjustment. Diary the case for the 20th day of the month following the current accounting month.

2. If the account is being paid by an allotment from inservice or retired pay, prepare a VA Form 29-1588, Statement of Allotment Differences or Request for Allotment Action, to effect the allotment adjustment. Diary the case for 120 days in advance of the current date.

(4) Non match on claim or Service Number (Error Type COS). Run 730 is programmed to produce input cards for run 140 to correct the claim, service or social security number on the master record. However, if a non match on claim, service or social security number is found on the reconciliation listing, assume that the number shown on the line listing from the control tape is correct. Prepare VA Form 29-8530, Life/Miscellaneous, to correct the number in the master record.

(5) Non match on Effective Date of Deduction (Error Type DAT). Run 730 will produce RPO requests on this type of discrepancy. The legend 730-3 will appear in the upper right corner for identification and association purposes. Process as follows:

(a) Obtain the insurance folder, associate it with the RPO, and determine the correct effective date.

(b) If the control tape is incorrect, prepare VA Form 29-5923 to change the control tape record.

l. For inservice accounts, explain on a VA Form 3230, Reference Slip, the need for correction and information to be changed, for example:

**Deduction Effective (Month and Year)**
**Accounting Period (Month and Year)**

2. For DFB accounts, explain on a VA Form 3230, the need for correction and information to be changed, for example:

**Deduction Effective (Month and Year)**
Initial Deduction ($ )

3. The VA Forms 3230 will be forwarded to the Accounting Section, Finance and Data Processing Division.

**(c) If the** control tape is correct, prepare input to change or insert the effective date of DFB or allotment on the master records Take necessary adjustment action on the next month due, overage, shortage, etc.

*NOTE: Special attention should be given to cases where the initial deduction pays more than I month •5 premium.*

(6) Non match on Name Code (Error Type NAM). Run 730 is programmed to produce input cards for run 160/170 to correct or insert the name code on the deduction control tape. However, if a non match of the name **code is** found on the reconciliation listing, prepare a VA Form 29~5923 to correct or insert the correct name code on the deduction control tape. If the name code is not similar or is questionable, examine the insurance folder to ascertain if the deduction has been associated with the wrong account.

16.03 RECONCILIATION OF OFF-TAPE INDEBTEDNESS

a. Off-tape indebtedness are liens on inactive accounts which have been transferred to the Finance and Data Processing Division for maintenance and liens maintained by the Insurance activity in the Other Indebtedness file. These **indebtednesses are reconciled once each year. The Other Indebtedness file consists of:**

(I) Premium and insurance overpayment liens on active term or permanent plans which are not maintained on the insurance master record due to lack of space; or liens on inactive policies with participating policies on tape.

(2) USGLI (U.S. Government Life Insurance) statutory liens.

(3) Finance indebtedness.

(4) Service department indebtedness.

b. Finance indebtedness are maintained on VA Form 29A878, Deduction Authorization Card-Finance. Service department indebtednesses are maintained on blank punched cards. USGLI statutory liens, premium liens, and insurance overpayment liens are maintained on VA Form 29-1696, Lien Record Card. RPO's on each indebtedness in the Other Indebtedness file will be requested for an annual reconciliation.

c. In the reconciliation of all off-tape indebtednesses, the RPO's will be obtained by modifying the 7080, run 700/8 I 0, to generate an RPO request if the Other Indebtedness indicator is in the master record. The reason code will be INDBT. **The** Finance and Data Processing Division will furnish duplicate punched cards for insurance liens maintained by that facility.

d. When the RPO's are received, they will be matched with the indebtednesses in the Other Indebtedness file. Where there is an indebtedness and no matching RPO, a current RPO `will be requested. Processing will be as in the annual reconciliation which is outlined in paragraph 12.02b of this manual.

**e. The** remaining RPO's will be compared with the lien punched cards furnished by the Finance and Data Processing Division. Where an RPO matches a lien punched card, no action is required if the insurance account is inactive and there is no active participating policy on tape for the individual. If the account has been reinstated, prepare a memorandum to the Finance and Data Processing Division to delete the indebtedness from their files. Prepare an appropriate input to reinsert the lien or the Other Indebtedness indicator in the master record.

f. If a lien punched card exists for which there is no RPO, request the insurance folder and examine it to determine if the master record has been deleted from tape as an inactive account.

(I) If there is a delete RPO in the insurance folder and no indication that the lien has been paid, no action is required. If there is indication that the lien has been paid, prepare a memorandum to the Finance and Data Processing Division to delete the indebtedness from their records.

(2) If a delete RPO is not in the insurance folder and there is no indication that the lien has been paid, request a current RPO. If the lien has not been transferred to the master record, prepare input documents to insert the Other Indebtedness indicator in the master record.

g. If there are any remaining RPO's which indicate Other Indebtedness and there is no record of an indebtedness in the Other Indebtedness files, or the lien file maintained by the Finance [activity ] , and no record of a tax levy, input documents will be prepared to delete the Other Indebtedness indicator from the master record.

16.04 RECONCILIATION OF DISABILITY WAIVER ACCOUNTS-(HOW PAID 5) WITH CERTAIN INSURANCE AWARD MASTER RECORDS

a. [Every other year a] reconciliation between the insurance master records (How Paid 5) and the insurance award master records will be conducted as follows:

| **Type of Award** | **Description** |
|---|---|
| 3 | Matured endowment with a TDIP (total disability income provision) optional segment |
| 9 | USGLI policy with a TDIP or NSLI policy with a TDIP |
| 6 | Benefits payable under the T&P (total and permanent) disability provision of a USGLI policy, or benefits payable under the TDIP when the insured is also totally and permanently disabled - |

**b. The reconciliation run is scheduled [ ] in October (of each even-numbered year] - It is a tape-to-tape comparison in the 7080, run 930. The inputs are RPO image tapes from runs 810 (insurance master record) and 270 (insurance award master record).**

**c. The tape fields listed below are edited, and RPO's are generated for clerical analysis if certain conditions are not met. If, upon examination of the records, an overpayment in insurance benefits is detected, a lien will be placed against the insurance proceeds and the insured will be requested to pay the indebtedness. If an underpayment is detected, necessary action will be taken to pay any amount due and correct future payments.**

**(l) File number, file prefix, policy number, and policy prefix. When there is no match between an insurance master record and an insurance award record, RPO's are generated for each master record, or award record reason code INOMA. Clerical examination is required to determine why there is no matching record.**

(a) If there is no match because an endowment plan has matured and the insurance master record has been deleted from tape, a review of the insurance folder is not required as these cases are periodically reviewed by Insurance Claims Section personnel. **The** paper diary file in the Insurance Claims Section will be checked to ascertain that a diary for the case is in file.

(b) If there is no match because of the death of the insured or the transfer of the insurance records, the Finance [activity] will be advised.

(c) When there is no match because of a difference in file number, file prefix, policy number, or policy prefix, the correct number or prefix will be determined. If the discrepant condition is in the insurance master record, input documents will be prepared to delete and reinsert or correct the

insurance master record. If the discrepant condition is in the insurance award master record, the material will be referred to the Finance [activity] -

(d) If there is no match because of failure to process a stop payment notice, and only an insurance award master record is in the reconciliation, the records will be examined for the possibility of an overpayment.



(2) Competency. If the insurance master record and the insurance award master record do not indicate the same condition (competent or incompetent), RPO's are generated for each record, reason code 2DINC. A review of the insurance folder is required to determine if the insured is competent or incompetent.

(a) If the insurance master record requires correction, input documents will be prepared to insert or delete

**the incompetency indicator from that record.**

(b) If the insurance award master record requires correction, the material will be sent to the Finance [activity].

(3) Guardian. If the insurance master record and the insurance award master record do not indicate the same condition (guardian appointed or guardian not appointed), RPO's are generated for each record, reason code 3DGUA. A review of the insurance folder is required to determine if the insured has a guardian and if the name and address of the guardian are the same in both the insurance master record and the insurance award master record.

(a) If the insurance master record requires correction, prepare input documents to make the necessary correction.

(b) If the insurance award master record requires correction, the material will be sent to the Finance [activity].

(4) Appropriation Reimbursable. When disability insurance benefits are payable under a TDIP attached to a V policy or a TDIP attached to a K policy, the NSLI or USGLI fund is reimbursed by transfers of money from the Military and Naval Appropriation if total disability is traceable to the extra hazards of military or naval service. The NSLI fund is also reimbursed for the cost of waiver of premium. The USGLI fund is not reimbursed for the cost of waiver of premiums unless the policy was reinstated or replaced under 38 U.S.C. 781. When an insurance award is entered on the pending tape, a reimbursable code, as indicated below, is inserted in the master record.

| Code | Description |
|---|---|
| 0 | Indicates a decision has not been [made] by the Extra Hazards Committee. |
| 1 | Indicates that death or disability is not due to the extra hazards of military or naval service. |
| 2 | Indicates that death or disability is due to the extra hazards of military or naval service. |
| 4 | Indicates that a decision as to extra hazards is not applicable (H, [RH], RS/W, J, JR, JS). |

**The edit in the reconciliation run is made on the compatibility of the reimbursable codes. If the insurance master record indicates the fund is reimbursable, the insurance award master record is edited for a code 2. If the insurance master record does not indicate that the insurance fund is reimbursable, the insurance award master record is edited for a code 0, 1 or 4. If there are discrepancies, RPO's are generated for each master record, reason code 4DARE. No provision has been made to suppress RPO's on K policies even though the discrepancy in the reimbursable status is a correct condition. A review of the insurance folder is required to determine if the reimbursement information is correct in the insurance master records and the insurance award master record.**

(a) If the insurance master record requires correction, prepare input documents to make the necessary correction, and prepare any accounting documents that may be required.

(b) If the insurance award master record requires correction, the material will be sent to the Finance [activity].

(5) Variance in Funds and Controls (NSLI). The TDIP fund code on the $ l0 provision in the insurance master record should be 1(V), 2 (RS), 6 (W) or 7 (J) and match the policy fund code. On the $5 provision,



**the** TDIP **fund code does not have to match the policy fund code A V policy may have a** TDIP **fund code of 1 or 4 and an H policy may have a TDIP fund code of 4 or 1. The insurance awards master record will show an accounting control of 1 indicating that the TDIP and policy fund codes match or an 8 indicating that they do not match. In the reconciliation run, the accounting control is edited for a 1 if the TDIP and policy fund match or an 8 if they do not match. If a match is not made, RPO's are generated for each master record, reason code 5DACO. A review of the insurance folder is required to determine if the fund code is correct.**

(a) If an error exists in the insurance master record, input documents will be prepared to correct the error.

(b) If an error exists in the insurance award master record, the material will be sent to the Finance [activity] -

(6) Insurance Benefits Payable. If the insurance master record shows a $5 TDIP benefit, the insurance award master record should show a 4 as the type of TDIP. On the $10 TDIP benefits, the insurance award master record should show a code 5 or 8. If these conditions do not exist, RPO's are generated for each record, reason code 6DIBP.

(a) If an error exists in the insurance master record, input documents will be prepared to correct the error.

(b) If an error exists in the insurance award master record, the material will be sent to the Finance [activity].

(7) Amount. The amount of insurance in the insurance master record should equal the amount of TDIP insurance in the insurance award master record. An exception to this is when a USGLI policy has been rerated and the original amount of total disability was restored. If the amounts are different, RPO's are generated for each record, reason code 7DAMT.

(a) If an error exists in the insurance master record, input documents will be prepared to correct the error.

(b) If an error exists in the insurance award master record, the material will be sent to the Finance [activity].

(8) Pending Award. A pending award master record is automatically established when the insurance master record has TDIP segment and the how paid code is changed to 5, disability waiver. When there is a pending award master record, RPO's are generated on **that** record and the insurance master record, reason code 8DPN. Other items are not edited. Examine the records to determine if any action should be taken.

(9) Office of Jurisdiction. lf the office of jurisdiction on the insurance master record differs from the office of jurisdiction on the insurance awards, RPO's are generated, reason code 9DKOF. Make the necessary corrections.

16.05 RECONCILIATION OF TOTAL AND PERMANENT DISABILITY AWARDS

a. When disability benefits payable are based on T&P disability, the 7080, run 270, will generate punched card requests for VA Form [4]-456, Insurance Award Record Printout, for a reconciliation of type 6 awards which is made

every [ ] year **[in** September and will include all cases in which the date of first payment is 13 months prior to September of the current year]. Type 6 awards are either benefits payable under the T&P disability provision of a USGLI policy or benefits payable under the total disability provision when the insured is also totally and permanently disabled. However, type 6 awards with the rider are included in the How Paid 5 reconciliation.

b. Record printouts will be obtained from the punched card requests. Insurance folders will be obtained and examined to determine if the records will show the policyholder totally disabled. The folder will also be examined to determine if the appropriate entries are on the insurance award record printout and if the information is correct. The following fields of the life segment will be examined:

(1) File and Policy Number.

(2) Name and Address. The name of the payee will be reviewed for correctness.

(a) If the payee is the guardian of an incompetent insured, entries should be in the Payee Incompetent and Fiduciary Appointed block of the life segment.





(b) If the payee is an attorney who is receiving a share of the award as a result of a court decision, an entry should be in the Payee Is Attorney block. In these cases, there should also be an insurance awards master record for the insured with an entry in the Part Award to Attorney block in the award segment. If the attorney dies while the insured is receiving T&P benefits, the attorney's share [of] the award payments is payable to the heirs.

(3) Claim Number. The claim number should be entered when available.

c. The following fields in the award segment will be reviewed clerically:

(I) Type of Award. The type of award should be 6.

(2) Accounting Control. The accounting control should be l.

(3) Reimbursement Control. The reimbursement code on K insurance should be l indicating that disability is not due to the extra hazards of military or naval service, or 2 indicating that disability is due to the extra hazard, or 3 indicating a decision has not been [made] - The reimbursement code on T insurance should be 4.

(4) Insurance Amount (Share). This should be the amount of insurance before deduction of indebtedness from the face amount.

(5) Net Amount Settled (Share). This should be the amount of insurance less indebtedness deducted from the face amount of insurance. When an indebtedness is deducted, the monthly award amount will be based upon the reduced amount of insurance until the number of months certain has been paid and the entry AD 967 will be in the unnamed block in the TDIP segment. If the insured is still permanently and totally disabled at the time the guaranteed number of payments has been paid, the monthly award amount is based upon the amount of insurance prior to the deduction of the indebtedness.

(6) Monthly Award Amount. This should be $5.75 per $1,000 insurance.

(7) Age at Claim. This should be the age of the insured as of the effective date of the award.

(8) Number Payment Certain. This should be 240 unless there is an entry in Rerated T&P block.

(9) Original Award Effective Date. This should be the date the first installment was due the insured.

(10) Current Award Effective Date. This should be the date the first installment was due the payee.

(ll) (Deleted.)

(12) Date of Last Payment. Each month when payments are made, the month and year are updated to show the new date for which payment was made. On abeyance cases when no installments were paid, the date should be l month prior to the effective date of the award.

## SUBCHAPTER 2. RECONSTRUCTION OF RECORDS

### 16.06 GENERAL

a. Records will be reconstructed only when insurance protection is being provided, including extended insurance, or when an application for reinstatement has been received.

b. After the Policy Service Section has made a search for the insurance folder within the section and it cannot be found, [ ] a memorandum [will be prepared] for the signature of the Chief, Insurance operations Division, addressed to the Chief, [Insurance Files Section] , requesting a thorough search be made for the insurance folder.

[c. After making a thorough search, including indexing through BIRLS (Beneficiary Identification and Records Locator Subsystem), contacting the appropriate Federal Archives and Records Center, and searching the VA center without finding the insurance folder, a memorandum signed by the Chief, Insurance Files Section, will be sent to ~~





**the Chief, Insurance Operations Division, furnishing the results of the search and by whom it was conducted. The memorandum will also state the circumstances involved in the loss of the folder; i.e., to whom the folder was last charged, the date of that charge, and whether there is file material in a charge-out jacket which would indicate the last action taken. Upon receipt of the memorandum, the Chief, Insurance Operations Division, will review the facts.**

(1) If further search by the section last having the folder is warranted, the memorandum will be referred to that section for another search. The memorandum will be endorsed by that Chief, reflecting what searching was accomplished and the results.

(2) If the results of all searches are negative, the Chief or Assistant Chief, Insurance Operations Division, will endorse the memorandum to the Chief, Policy Service Section, authorizing approval to reconstruct the folder, or the memorandum will be returned to the Chief, Insurance Files Section, for further search.]

### 16.07 [(Deleted.)]

### 16.08 RECONSTRUCTION OF FOLDERS

a. When the authority to reconstruct the insurance folder is received, the Policy Service Section will prepare the jacket for the reconstructed record as follows:

(l) Enter the file number in the upper left corner.

(2) Enter the insured's name, last name, first name and middle initial after the file number.

(3) Enter RECONSTRUCTED RECORD on the upper right side of the short flap of the folder.

b. If the account is on the master record, the RPO will be examined for a beneficiary reel number. If it contains a reel number, a photocopy of the designation will be obtained from the security film and filed in the reconstructed folder. If the RPO does not contain a beneficiary reel number or if the copy obtained from the security film is not current (2 years or more old), a VA Form 29-336, Designation of Beneficiary and Optional Settlement, will be sent to the insured with a request that a current designation be submitted. The insured will not be informed that his or her insurance folder is being reconstructed.

c. When the account is not on the master record tape and information is not available from any other source, it may be necessary to obtain a photocopy of the PRC (Premium Record Card). For information and instructions on obtaining a photocopy of a PRC, see [ ] paragraph 27.03b.

d. It may be necessary to request transaction history information on some accounts. However, this type of information should not be requested for a long period of time.

e. A register will be maintained in the Policy Service Section of all reconstructed folders. The register will include the following information:

(l) Insurance number and file number.

(2) Name of the insured.

(3) Amount of insurance involved.

(4) Date of the memorandum authorizing reconstruction of the insurance folder.

(5) Date reconstructed folder is released to operating element concerned.

**[(6) Date original folder is located.]**



16.09 ORIGINAL FOLDER FOUND

**[When the original folder is located, the original and reconstructed folders will be hand-carried to the Chief, Policy Service Section, for annotation of the register. All material will be combined and filed in the original folder.]**

SUBCHAPTER 3. FILING OF FORMS AND CORRESPONDENCE 1N THE INSURANCE FOLDER

16.10 FILING OF UNNECESSARY AND DUPLICATE MATERIAL

a. Material for which immediate disposal is authorized in the Records Control Schedule VB-1, part 1, will not be sent to the Insurance [Files Section] for filing.

b. The following [are] guidelines for items that are not to be filed in the insurance folder:

(I) Duplicate copies, except those maintained as official record copies (including carbon copies of dictated letters that have no record value).

(2) Routing and reference slips that do not contain information of record value.

(3) Envelopes that are of no further value in support of an application or a claim.

(4) Control copies of forms, form letters, correspondence, diary cards, etc., prepared solely for the purpose of suspense, pending, or followup action.

(5) Correspondence which consists of inquiries and requests for information about insurance matters and which does not contain any information of record value, EXCLUDING correspondence which is to be filed in the insurance folder. Generally, this correspondence is disposable because it is of an NAN (no answer necessary) nature or because a form or form letter was prepared in reply to the inquiry. lf a form or form letter was used for the reply it will be identified in the right margin of the correspondence. The letter D will also be entered in red and large enough to cover the correspondence so that it can be easily recognized as disposable mail. The correspondence will then be placed in the destroy mail receptacles. Each day the group head or designee will review the destroy mail to assure that the inquiry was properly processed and that disposal is in order. lf the proper action was taken, the reviewing official will dispose of the correspondence in accordance with Records Control Schedule VB-1, part I.

16.11 FILING OF RECORD PRINTOUTS

a. VA Forms 29~5886b, [ ] Insurance Record Printout, are generated by the computer system to furnish the latest contractual and accounting information and mailing address for those accounts on the master record. Also, they show all pending transactions on the pending tape.

b. RPO's generated with the following reason codes should be filed in the insurance folder:

**(l) Reason Code** 319. System unable to calculate when indebtedness will equal or exceed the reserve or change an action or date. Forward the RPO to computers for manual calculation of critical date. Lift the policy freeze and file the RPO with clerical calculation in the insurance folder if critical date is within 15 months.

**(2) Reason Code** 865. (USGLI) Renewal callup date. Account renewed and insured is age 65 or older. If informed about Endowment at Age 96 plan within last 3 months, destroy RPO in accordance with Records Control Schedule VB-1, part l. If not, release FL 29-692 with VA Form 29-358a, Application for Exchange to Special Endowment at Age 96 Plan, attached. Annotate RPO and file in the insurance folder. 0•



(3) **Reason Code** 869. First notice, 1 year before expiration of current term period on "W" insurance. Policy not eligible for renewal at end of current term period. Notify the insured, note RPO and file in the insurance folder.

(4) Reason **Code** 870. Final notice, 90 days before expiration date of current term period on "W" insurance. Notify the insured, note RPO and file in the insurance folder.

(5) Reason **Code** 904. Final notice of automatic surrender 1 month after the surrender date. Note RPO to indicate release of forms as well as necessary input documents, date, initial and file in the insurance folder.

(6) Reason **Code** 996. **(USGLI)** Insured will reach his or her 65th birthday in 1 month. If insured was informed of the Special Endowment at Age 96 Plan, destroy RPO. If not informed, release FL 29-646 with VA Form 29-358a attached. Annotate RPO and file in the insurance folder.

(7) Reason **Code** APPPND. Application for disability waiver received. File RPO in insurance folder.

(8) Reason **Code** DLT. Policy deleted from the master record. Not matured endowment or death claim. File RPO in the insurance folder.

(9) Reason **Code** FLD. A policy has been inserted in the master record or a new life premium amount has been stored in the master record. The RPO will be filed in the insurance folder.

(10) Reason **Code** MELTR. (NSLI only) Endowment policy due to mature during 6th calendar month following current processing month. System did not release VA Form 29-8654. Clerically release **the** form letter to the insured, if appropriate, annotate the RPO and file RPO in the insurance folder.

(11) Reason **Code** RDN. Transaction to correct redundancy (invalid data) processed. Invalid data was corrected. RPO indicates the status of the account after clearing of invalid data. File the RPO in the insurance folder.

(12) Reason **Code** REI. Reinstatement automatically processed by the system under provisions of VA Regulation 3422. File RPO in the insurance folder.

(13) Reason **Code** RV. Tape-to-tape transfer of master record accomplished in receiving office. File in insurance folder when it is received.

(14) **Reason Code** TV. Tape-to-tape transfer of insurance records at transferring office. File the RPO in the insurance folder with the RV RPO.

(15) **Reason Code** WTC. Automatic purge of a "W" contract indicating cancellation was processed by the system. Forward RPO for filing in the insurance folder.

c. The description of the RPO reason codes in subparagraph b above is not complete and is furnished only for the purpose of indicating the kind of RPO's that should be filed in the insurance folder. For a complete description of RPO reason codes, see MP-6, part ll, supplement No. 1.4, chapter 1.

d. The following type of RPO's will be filed in the insurance folder after any necessary action has been completed:

(l) RPO's used in connection with refunds that are routed to Voucher Audit activity for review.

(2) RPO's which contain calculations made by the computer clerk or Policy Service technician that have significant record value.

(3) RPO's received in connection with nonnegotiable or uncollectible checks.

(4) RPO's reflecting an action taken which will not appear on the transaction history list (e.g. reinstatement under VA Regulation 3422).

(5) RPO's containing calculations, or instructions for preparation of **forms or form** letters, if the employee processing the RPO determines it should be retained.

(6) RPO's noted to reflect release of forms or form letters **of record** value.

e. Operating personnel are responsible for preventing the filing of unnecessary material in the insurance folders. Particular attention should be given to RPO's attached to other file material to **see** that they are **removed** prior to filing, if they are not the type that should be retained for record purposes. An exception to this instruction is filing material that is too small to file in the folder. Material of this nature may be attached to RPO's even though the reason code is one which would usually not be filed in the insurance folder. Unnecessary material will be removed as it is found during routine processing of the folder. However, folders will not be reviewed for the sole purpose of removing this type of material.

f. Requested and generated RPO's not meeting the above criteria will be disposed of in accordance with Records Control Schedule VB-l, part 1.

16.12 FILING OF DOCUMENTS AND CORRESPONDENCE

a. Official documents, including formal and informal applications will be filed inside the left flap of the insurance folder. All correspondence, except informal applications will be filed inside the right flap of the insurance folder.

b. When copies of marriage, or birth, divorce decrees or a similar certificate is received from the insured or a representative indicating a desire to have them made part of the insurance records, they will be accepted and filed in the insurance folder.

c. Such copies of documents will not be perforated, stapled or noted in any way. They will be filed in the insurance folder in an envelope and noted to indicate its contents.

**I6~12**

**August 18, 1977**
**)**

Assistant Director for Insurance (29)

Reconstruction of Records

Chief, Insurance Operationns Division (291)

1. This will confirm our disussion of August 17 on the above subject. Effective immediately, a register will be provided the

Policy Service Section which will reflect all reconstructed folders.

*2. In accordance with the provisions of M29-1, Part 2, paragraph 16.08e, the register will contain the following information:*

1) Insurance number and file number

**3) ~0unto' i `uD' of insurance**

**i4) Date of memorandum autho reconstru of d o the insur folder .` ` d id ido D.o**

~` `~5),' Date reconstruct folder is released to the operating element involved

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SL'~~LiQfl

d e(iue~iin0gior~c~nst~uction of a folder by means of an over printed 3230 will be disco. The reconstru of a folder from now 0Th'e~~ only be autho- rized the Chief or Assistan Chief, Insurance 0perations Division.

*4. In the future, when a'u 00folder cannbi be located, a i d I't0C'flora0'h~()um to the Chief, Insur bperationon DiVdsion~ will* be prep<~r~~d by the Chie"f, insurance files Section. This m~~~i£~ooranduri. will state the circumstances involved iD.c the loss of the folder, i.e., to wh()m1'0ias ~the. folder last

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**c~1~1i2:qod, ttlioe date 0f th'at cI~rqe, is th~rei;0 file material 0£' o in the charge-o jacket which w0ould indicate last action**

taken$^{0}$1 what searching has been done,has a, o~~ar'ch10bee~n made in. the Federal Records Center and who cond oot, or) ti~te 5(:~harth Upon reco$^{0}$ipt of the 0mse'i;~ra~cju~ma~ im~i th~~ ~O'ffiico oo'if tlie Cj•iief, insurance O;)erations$^{1}$ `~fl"ivih~jon:,00 .t0-h~ f'actn In t'be `n'er~0-randum will be revics.0ed. if a further'0 ~`0eL'~~'C~ `is 0warrante~s' by `the ~£3eetion last having the folder, tI~L~h n'.eri~or~-~nd'im `n$^{1}$5~i(:)uld b-e

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**0 i i i o i i s d 0 i**

~0~D At
Chief, icsurance 0peration~ Division (291)

referred to that, S~~ttion for further search and ecdorsen5~ent reflecting what searchicg was~accomplishod and the r~$^{1}$scltn of t)~o search.

**5. if results of all searching are negative, the Chief or Aq•sistant Chief, inscrance Operationsi Division will endorse th~o r'..emornnduw to the Chief,' Policy <3service Section autI~orizincj approval or returning the n'?tmoaand~rn to the Chief, Insur•~nee Files Section for further dearth.**

*(;. Upon locati0n of the original folder after reconstruction has been acto~mplishcd, both foldert will be. I~acd carried to the Cj'~icf, Polity Service election and annotatioc **of** t)~e Reconm~~trcction i~egister.*

-GLFjNN C. J0IIN5O~~

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# CHAPTER **17. REJECTS**

## 17.01 GENERAL

a. **All** input documents introduced into the computer system are subject to certain preedits during the daily processing runs.

b. Run 130 is the preedit program for all file maintenance transactions. This run checks the input for validity, format, related fields, certain calculations and sequence if the input is coded with transaction types used for inserting a new master record on tape. When the edit routine of a run 130 detects an error condition in connection with the input data, the name code is replaced by a three-digit numeric code or a special three-character code. This code denotes the type of discrepancy found during the edit. The field which does not meet the edit requirements will be identified by an asterisk in the last position of the field containing the invalid data.

c. MTC (Miscellaneous Transaction Control) accounts are edited for out-of-balance situations. Debits and credits to the MTC account for each file number are checked. When an out-of-balance condition is found, an MTC reject card is created. Run 130 will continue to edit all inputs and each transaction meeting the edits will be coded 888 in the name code field. Those transactions not meeting edit requirements will be coded individually with other reject codes which will be used to identify each type of edit error.

d. Rejected transactions from previous day numbers which have been corrected and resubmitted are coded to bypass the MTC edit. An X is gang-punched in the file prefix field to identify these transactions. This insures proper control of documents posted to the general ledger accounts.

e. Rejects appearing on the reject list with an alphabetical character in the left column of the list indicates that the input has rejected more than one time.

f. The daily processing run 140 edits the information furnished on the input tape with the logic of the specific program function and data in the master record before processing is accomplished. All transactions meeting the logic of the program are processed, and transactions continue to process until an error condition is detected by the program or has been coded as a reject in run 130.

g. Reject cards, reproduced input documents, **VA** Form 29-5886a, Record Print Out, (RPO) or **VA** Form 29-5886b, Insurance Record Printout, and a reject listing will be received for transactions that do not meet edit requirements.

h. Rejects identified by a dash (-) between the file number and transaction type on the reject card; e.g., 1000 00 00-8I, with no reason code shown on the reject card indicates there is no master record on tape under that file number.

i. Second-day releases will be identified by the letter **R** and third-day by the letter X printed between the file prefix and the file number on the daily reject list.

j. The descriptions of reject reason codes are outlined in MP-6, part II, supplement No. 1.4, chapter l.

17.02 RE SUBMISSION OF CERTAIN REJECTED INPUT DOCUMENTS

a. Reject cards, reproduced input documents and RPO's must be reviewed to determine the cause of the reject before re submission. **All** other entries on the input document, corresponding to the reject card with the error condition, must be examined for correctness and/or completeness.





b. When the error condition is in connection with one of the following input documents, a new input document must be prepared:

**(I)** VA **Form 29-322Disbursement Address or Trailer Input**

(2) **VA** Form 29A97 Request For Transfer Insurance Records

(3) **VA** Form 29-5899 Request For Record Print Out

(4) **VA** Form 29-5899a Reinstatement Input Card

(5) **VA** Form 29-5934 Change of Address For Insurance Purposes

17.03 REINSERTING REJECTED INPUT DOCUMENTS

a. Corrections may be made on the reproduced input documents provided the transaction code type is valid for the action to be taken and is on the proper form for the segment being inserted or changed.

b. If the rejected input card can be reinserted without a change, a large R in red must be placed on the right side of the face of the card to indicate that no correction is necessary before re submission, except for punching the name code. No other entries are required.

c. If the rejected input card requires a change before re submission, it must be corrected clerically as follows:

(l) The corrected information must be entered with red ink in the blocks on the reproduced input card immediately below the blocks containing the incorrect data.

(2) Corrected information must be block printed. The entire field involved must always be completed even though only one character is wrong.

NOTE: A field is a group of common data, such as, an amount of money, a fund *code,* a *file* prefix, a file number, a *control* account number, a name *code, etc.* Normally, fields on input cards are divided by solid *lines,* but in some

instances, broken lines are used, particularly when a field is used for more than *one* purpose. In other words, a field is any block or group of blocks on any input card that has a *specific* title.

d. If data are to be deleted and the field is to be left blank, an encircled lowercase(b) must be printed in the first block of the field and a line drawn from the-through the remaining blocks of the field.

e. **A** new input document must be prepared if the reproduced card cannot be used. **A** large C in red must be placed on the right side of the face of the new input card to bypass certain edits to indicate that the input is part of a previously rejected case.

f. Any additional or replacement input documents which may be required to complete the case must be clerically prepared. The batch number from the related input cards must be shown, unless a B or T batch number is to be assigned in lieu of the number shown.

## 17.04 ROUTING PROCESSED REJECTED INPUT DOCUMENTS

a. Corrected rejects will be released in one group to the Input/Output activity, except when the batch number must be changed to a B or T number.

b. When input cards, other than **XC-** and matured endowment cases, are rejected because a B, K or T batch number was not assigned to the input documents with one or more control account numbers 01,, 05, 09, 20 and 52, the corrections must be resubmitted through the Accounting Section, Finance and Data Processing Division, for assignment of a B or K batch number or to Voucher Audit for a T batch number.





c. Label the XC- and matured endowment corrections, which can be identified by the accounting transactions involving control accounts 13 and 51 and assign an XB and/or T batch number on the corrected input and related cards, where necessary, for delivery to the Input/Output activity.

d. When deletion of a pending transaction involving a money item was rejected for RPO, reason code 012, No Matching Pending Transaction on Tape, check for an erroneously updated insurance account, as well as an out-of-balance MTC transaction. A dual correction of this type may be needed where duplicate actions were taken to post a pending transaction and the second transaction type 098 was rejected or the system accepted an 083 transaction, but rejected the related 098 transaction and the pending transaction was automatically posted.

e. Input documents will be used wherever possible to correct an MTC out-of-balance. For example, if the Premium-Offsets account (32) is overstated because of duplicate actions to delete and post a pending transaction, the corrective action will consist of **VA** Form 29-5893a, Premium input Card, with transaction type 083, showing a debit to the Premium-Offsets account (32) and credit to Miscellaneous Transaction Control account (39).

## 17.05 ADDRESS CHANGE REJECTS

a. Run 140 address change rejects which did not match on name code must be returned to the Input/Output activity for processing. These rejects will be further processed as follows:

(I) Policy Service Technicians will associate the record printouts with the reject cards and process in the regular manner.

(2) In requesting source documents for address change rejects, the Policy Service Technician will enter in large red letters in the upper right corner of **VA** Form 29-5891a, Address or Trailer Input, SD (Source Document Requested). The **VA** Form 29-5891a will be released to the General Clerk.

(3) The General Clerk will accumulate **VA** Forms 29-5891a and release daily to the Data Control Section by **VA** Form 3230, and the Remarks block noted Source Document Requested.

NOTE: Do not staple reference slip to VA Forms 29-5891a. *These will be* machine-sorted in the Data *Control Section* if volume permits.

(4) Data Control Section will assemble the **VA** Forms 29-5891a with the source documents attached and send to the Policy Service sections properly identified by **VA** Form 3230.

(5) Any cases remaining uncorrected will be forwarded to Index with the source document.

b. The following types of address change rejects must be processed by the originating element:

(l) **All** address change rejects where there is other input rejected for the same file number.

(2) Run 140 address change rejects which match with a record printout (other than reason code 988).

(3) Run 140 address change rejects (identified by a dash (-) on the reject card between the file number and transaction type; e.g., 1000 00 00-081) with no other type rejects, or accompanying record printout, must be processed by the appropriate insurance activity or Record group.

17.06 CORRECTION OF A DIARY MESSAGE

When deleting a diary, the message must be written exactly as it appears on the record printout. if a reject is received because the input card did not match the transaction on tape, it will be necessary to prepare a corrected input document.



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## CHAPTER 18. TRANSACTION HISTORY LISTS

### 18.01 GENERAL

**a. The insurance** master record maintained on tape contains current information. To retain the history of all insurance transactions, with the exception of [those listed below, **a** daily] computer-produced listing [is prepare d showing **all transactions** processed.] They are microfilmed daily for security purposes **and** the original of the listing is stored in the Finance Division. The copies are filed in the Administrative Division. [Transactions that will not appear on daily listings after October **1974,** are **as** follows:

(1) TT 008-which apply to non monetary pending transactions, except the insertion of **a** nonfreeze waiver diary, when **an** application for waiver is received, or the insertion of **a** review diary when the premium is how paid code 5 (waiver) and there is no review diary on the pending transaction tape.

NOTE: Transaction lines will be generated for TT 008, insertions of dividend information, TT 026 and the IXX series, deduction establishments and discontinuance's.

**(2) TT** 078-which applies to **a** change of an underwriting diary, change or correction of **a** waiver diary, **and** Policy Service nonmonetary diaries.

(3) TT 083-which applies to how paid 5 (waiver) cases.

**(4) TT** 087-which applies to how paid 5 (waiver) cases.

(5) TT 098-which applies to the deletion of **a** non monetary pending transaction; and, the deletion of a waiver diary from the pending transaction tape when an application for disability waiver is disapproved or when **a** duplicate diary exists.

*(6)* **TT** 700-billing.

NOTE: Transaction lines will be generated for TT 098, deletion of dividend information and the IXX series, deduction establishments and discontinuance's.

**(7)** Transaction types 033, 040, 050, 080, 501, 603, 700, 800, 810, **820** and **944.]**

b. The listings show **a** single line entry for each transaction processed, showing identification data and transaction type. The sheets are divided into 500 equal segments with 20 secondary digits to each segment based on the terminal digit filing system. Each line of history contains two processing day numbers. One is for the date of transaction shown on the listing. The other processing day number is for the date of the last previous transaction for this master record. lf the history relates to premium, loan, lien, dividend credit or deposit, **a** third processing day number will indicate the date the last transaction **was** processed for premium, loan, lien, dividend credit or deposit. Data are obtained from the listings by the use of thermofax prints which are prepared by personnel of the History Retrieval Group.

c. The listings are retained for 12 months, at which time they are microfilmed again and discarded. History required prior to the 12-month period must be obtained from the microfilm files.

**18.02 REQUESTING TRANSACTION HISTORY INFORMATION**

**a.** When transaction data are required, **a** current VA Form **29-5886** [b, Insurance] Record Printout, will be used to request the information.

b. The RPO [record printout] must show the earliest PDN (processing day number) and the last two digits of the year history is needed, the transaction type(s) desired and **a** correspondence symbol. After determining what history is needed, the clerk will enter positive entries in the upper right corner of the RPO or use **a** stamp impression -



***c.*** *Effective with DN 317/62 (November 13, 1962), all transactions processed against the loan, lien, premium and dividend credit and deposit segments and recorded on the transaction history lists will reflect the day number **of** the last **prior** transaction affecting the segments. The year will also be shown in the loan and lien segments.*

***d. On PDN 153/68 (June** 1, 1968), **all** NSLI, (National Service Life Insurance) VSLI (Veterans Service Life **Insurance) and** USGLI (United States Government Life Insurance) master records were combined for the **same** insured under the governing file number.*

***(1) Good judgment** must be exercised when requesting history on **cases** when multiple life segments for one insured have been **merged** under the same file number. The clerk must determine if history **is** required on **all contracts or if** history transactions for one particular account only will suffice to complete the required action. The request **should be made accordingly.***

*(2) When the history trail required will extend prior to PDN 153/68 (June I, 1968) on one or all of the insured's contracts, it will be more expedient to split the request. The RPO's (record printouts) will be used for this purpose **and** the notation thereon **specific** as to the intent.*

Example 1:

Insured has active V and active J contracts and history **is** required on both, from the current PDN back to **000/67.**

FV30IOOOO FV 3010000
3010000 J81000090

Action:
**On** the V RPO, request history from the current PDN to PDN I 53/68 on both contracts and from PDN I 53/68 to **PDN 000/67 on** the V **contract** only.

**On** the J RPO, request history from PDN 153/68 to PDN 000/67 on the J policy only.

Example 2:
Same two contracts; history is required on the J contract only, from current PDN to PDN 000/67.

Action:
Show the J number in red in the upper right margin of the V RPO and request history from the current PDN to PDN l 53/68 on the J contract **only.**

**Use** the J RPO to request history from PDN 153/68 to PDN 000/67 on the J contract only.

Example 3:
**Same two contracts; history is** required on the V contract only from current PDN to PDN 000/67.

Action:
**Use** the V RPO to request history **from** the current PDN to PDN 000/67 on the V contract only.

*e.* ***When*** *history* ***on a*** *particular transaction type is needed, enter the letters* ***TT*** *followed by the code number* ***of that transaction on*** *the RPO adjacent to the PDN requested. The approximate PDN is shown to prevent the history* ***clerk from looking back any*** *further than necessary.*

*f. When history to February 3, 1969, is required on* ***a*** *certain transaction type series, note the code number* ***on*** *the* ***RPO. For example:***

**(l)** TT 200 series-034/69.

**(2)** TT 400 series-034/69.

**(3)** TT 500 series-034/69.



The history will include all transaction types with the first digit (high order) of the series requested. **For** example, if the request **shows TT** 200 **series,** the history will include all 200 (200 through **219) items. The** same rule applies to a" such transaction type series requested.

**g.** The transaction type series **may** also be **shown** as 0-2, 0-3, 0A, **0-5, 0-6,** and 0-7. when there is a question of status **on a** direct **pay** or payroll deduction account, request only the transaction **series that** are involved. **For** example:

(I) TT200 series-034/69.
(2) **TT** 0-3 series-034/69.
(3) TT0-4 series-034/69.
**(4)** **TT 0-8** series-034/69.

The history prints will include **any** dividend credit automatically applied under the dividend credit or premium options which would be reflected in the 200 **series.** If there is **a loan,** lien, and/or **TDIP** (total disability income **provision)** segment on **a** policy, the request should include 300, 0-5, 0-6, and/or **0-7** series. In addition to the **200 and/or 300** series, prints are also made on a" transaction types beginning and ending with the other numbers **shown.** The dash between the numbers includes **any** number **0** through **9.**

h. When premium status on how paid **8** and **9** accounts is needed, the lookup period **may** be reduced by lining through the last life transaction day number and inserting in red the earlier **day** number, if applicable, from the last premium processing **day** number. A stamped impression **may** also be used **for** these entries. In Philadelphia, this will not apply if the earlier day number is before DN 230, August **18, 1961. This** was the effective date that clerical processing of VA Form **29-5893a,** Premium Input Card-ADP, caused **the** system to enter that processing **day** number in the **LAST PREMIUM** PROCESSING **DAY NUMBER** field.

-
•Transactionhistoryprintsarenotfurnishedforaddresschanges,lifesegmentinsertsorchanges(transactio
n

**types ending** with **0),** and/or most diary inserts and deletes (pending **transaction** type **978),** unless specifically requested. If prints of these items are needed, **note** the RPO accordingly.

**j.** Whenever long and comprehensive history prints **are** used to review an account, consideration should be given **to filing** certain histories in the insurance folder for utilization in subsequent actions. Filing of these prints will be restricted to situations when it **may be** necessary to recapture this information as indicated by repetitive inquiries in the insurance folder. Filing of extensive histories will be based strictly on **good** judgment.

(1) History prints to be filed in the insurance folder will be stamped Ready for File **and** dated.

(2) **In** future review of folders, histories over l year old from date of filing will be removed and reported for **disposal.**

(3) Transaction prints on routine cases will continue to be disposed of in accordance with Records **Control** Schedule VB-I, part **1.**

18.03TRANSACTION HISTORY LISTS ON CERTAIN SPECIAL COMPUTER RUNS

**a.** Special Computer Run **on** September 24, *1966* **(PDN** *267)*

(l) As **a** result of this run, to reduce the premium rate on **NSLI TDIP Age 60 ($5** and **$10)** permanent plan riders, **a** transaction history list of a" the reduction and refund actions was established. This list contains **a** line entry for each policy **on** which the **TDIP** premium was reduced and **a** line entry for each refund as a result of the reduction calculation. These line entries are the same as those for the regular **027** and **609** transaction types. If required, VA **Form** 29-5935 **or 29-5935b, Transaction Print** Templates, may be use d **to aid** in reading the data.

(2) Clarification concerning the calculation dates, shown as a month number in the Next Premium Due field, are as follows:

(a) Reductions of the TDIP premiums for a" allotment (how paid 6) and deduction from VA benefits (how paid 3) accounts were made as of the October 1966 premium due date.

(b) Reduction of the TDIP premiums for a" direct pay (how paid 9) and employee payroll deduction (how paid 8) accounts were made effective with the October 1966 premium due date if the month number shown is 574 (October 1966) or higher. If the month number shown is higher than 574, the calculation included any premiums paid beyond that date and the credit is included in the refund. If the month number is lower than 574, the calculation was made through the month that premiums were paid.

(c) Reduction of the TDIP premiums for the total disability waiver (how paid 5) accounts was made as of the October 1966 premium due date.

(d) Reduction of the TDIP premiums for the paid-in-full limited pay life policies (how paid 0) was made effective as of the October 1966 date. The month number shown on the transaction history list represents the premium month in which the policy became paid-up.

b. Special Computer Run on September 27, 1970 (PDN 270)

(1) As a result of this run, to reduce the premium rate on NSLI TDIP Age 60 and 65 ($5 and $10) riders on certain term policies and premiums on J policies, transaction history lists of a" the transactions processed and pending diaries created were established. The reduced premiums were effective with the October 1970 premium due date.

(2) A transaction history list of all transactions, when the reduced NSLI TDIP term or J premium was entered into the master record, was established. The reduced premium was entered if the September 1970 premium was paid and there was no life or policy freeze. However, on deduction from VA benefits (how paid 3) and allotment (how paid 6) accounts the reduced premium was entered in the master record even though there was a life or policy freeze.

(3) A transaction history list of pending diary transactions when the reduced premium could not be entered into the master record because the September 1970 premium was not paid or because there was a life or policy freeze, was established. This transaction shows the reduced TDIP monthly rate per $1 ,000 or the reduced J premium (including administrative cost) for the mode of record.

[c. Special Computer Run on September 30, 1976 PDN 27D

(1) Transaction lists of all of the transactions processed and pending diaries created, as a result of this run, were established to reduce the premiums on J and JR policies. The reduced premiums were effective with the October 1976 premium due date.

(2) A transaction history list was established when all pending transactions were processed through a subroutine known as 2 POST PENDING; transactions to reduce the premium (TT 082), transactions to insert refund diaries (TT 008-609) and transactions increasing the monthly loan repayment amounts (TT 025).

(3) **The reduced** premiums were **entered** into the master records for a" of the J **and** JR **policies except** for the **following cases:**

(a) How **paid 2 and** 4,

**(b)** Policies maturing during October 1976, and

(c) Pending death claims



18.04GUIDELINES FOR REQUESTING TRANSACTION HISTORY INFORMATION

**a.** **The** following guidelines apply when requesting history lookups:

(1) Reason code 012 on the RPO, indicating that a pending posting item was [deleted and therefore] rejected because it did not match the pending transaction.

**(a)** Arrange the reject cards representing the pending transactions which are no longer on tape, in chronological order.

(b) Request transaction history lookup to the latest unit number involved.

**Example:** Rejected pending transactions no longer on tape: Unit #1300, PMD lO-1-69, $13.20 Unit #1328, PMD 11-16-69, $13.20 Unit # 1039, PMD 2. 1-70, $13.20 Show PDN 039/70 on the RPO.

(2) Reason code **277** on the RPO indicating the postmark date of the payments is before the date of the last premium transaction in the master record. Request lookup to day number and year indicated by the last premium PDN. If status code block indicates a U, this item was inserted by Miscellaneous Accounts and Service Unit. History lookup is not required.

**(3)** **Reason** code 874 on the RPO indicating renewal was processed, but the deduction has not been received or the deduction was made pending by the system because it could not be posted automatically.

____ (a) lf the allotment information is not in the pending transaction area, transaction history lookup is needed

to find out when the system released either VA Form 29-[483a], Certificate of Renewal, (Philadelphia), or VA **Form 29-5926,** Request for DFB Action, (Philadelphia). This information is shown in the transaction history list

under transaction type 810.

(b) Enter in the reason code block, transaction type 810 and the year involved.

**Example:**

TT **810/69**

**(4)** Reason code **957** on the RPO, indicating a TDIP transaction was processed, but clerical action is necessary. The system uses this reason code when the edit regarding a current transaction discloses one of the following erroneous conditions:

(a) Effective date of TDIP is earlier than effective date of life contract.

(b) Next month due and/or how paid code on TDIP is different from that on life contract.

(c) TDIP fund code or action type and date are wrong.





**1. Refer to miscellaneous input and terminal digit (input) listing and reject listings for the day number on which the RPO was generated, to find what caused the erroneous condition.**

**2.** lf neither of the listings show how the differences occurred, request transaction history lookup to the day number shown in the block entitled Last Prem. Proc. Day No.

(5) Dividend Information Needed

**(a) Prepare VA Form 29-5720, Request for Paid Dividend Information, for the years involved, and refer the form to the unit maintaining the paid dividend files.**

**(b) lf the VA Form 29-5720 is returned No Record, request transaction history lookup by entering the transaction type involved and the earliest day number and year in the reason code block of the RPO.**

For example:
TT 606-Enter PDN **296/69** on the RPO.

**(c) The VA Form 29-5720 may indicate an offset of indebtedness.**

**l - lf the legend** CTL **is shown in the Indebtedness block, obtain a** TT ***606*** **transaction line print to determine the-gross dividend and any offset.**

**2.** lf the amount of dividend is not compatible with the amount earned, obtain a **TT** *606* transaction line print to determine if an offset was made.

**(d) Since the face amount of insurance does not appear on the** TL **line which is generated when the dividend is paid, the dividend rate that is to appear in the TL line will be doubled for plan** 9.

*W* NOTE: With an assumed dividend rate of $0.50, that figure will appear on the record printout in the Rate Per Thousand block. However, the rate will appear as $1 in the miscellaneous listing, transaction line.

***(6)*** **Itemized List of Premium Payments Needed to October** 27, 1969. **Enter transaction type and earliest day number in reason code block of the RPO.**

Example:
TT 200 series-300/69.

**(7) UNCOL in lower right corner of the reason code block of the RPO indicates an uncollectible item was not processed by the system. Clerical action is necessary to prepare input documents.**

NOTE: If the uncollectible item cannot be identified and processed from information shown on the RPO, use the RPO to request transaction history through the original processing day number (same as unit number) on the uncollectible item.

18.05 TRANSACTION HISTORY INFORMATION RECEIVED

**a. When thermofax are prepared from the transaction history lists for the information requested on VA Forrn 29 5886a, Insurance Record Print Out, or other requesting document, the prints are returned stapled to the requesting RPO or document.**

**b. VA Form** 29-5935, **Transaction Print Template, is used to read thermofax prints of transaction history lists prepared prior to PDN 153168, June l, 1968.**

**c. VA Form** 29-5935a, **Transaction Print Template, is used to read prints of transaction i~istory~rep~red prior to PDN 153/68, June 1,1968, reproduced from the microfilm.**



**w~6**

*d. VA Form 29-5935b, Transaction Print Template, is used to read thermofax prints of transaction history hsts~i~a~~d~n~nd-aft~rPDN j ~3I6~, June i ;4~6~:*

*e. VA Form 29-5935c, Transaction Print Template, is used to read prints of transaction history prepared on and after PDN 153/68, June I, 1968, reproduced from the microfilm.*

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## CHAPTER 19. LIMITED PAYMENT LIFE ACCOUNTS

19.01 GENERAL

a. National Service Life Insurance limited payment life accounts are processed automatically by the system at the end of the premium-paying period (20 or 30 years) if certain conditions are met. If the conditions are not met, input documents must be clerically prepared to process the account. The conditions are listed in the following paragraphs. United States Government Life Insurance policies are not processed automatically by the system.

b. Limited payment life policies are issued as 20-Payment Life and 30-Payment Life only.

c. How paid code 0 indicates premiums have been paid and earned to the end of the premium-paying period.

19.02 PROCESSING BY THE SYSTEM

a. The system will automatically process cases meeting the following conditions at the end of the premium-paying period which is indicated by a 901 callup (callup for non deduction accounts):

(I) The final premium is paid and earned.

(2) Tl~ how paid code is 9 (direct pay) or 5 (disability waiver) (38 U.S.C. 712).

(3) A combination of loan and dividend credit balance does not exist.

(4) There is no lien or other indebtedness.

- (5) The dividend option is other than premium.

(6) The current dividend has been authorized.

(7) There are no transaction types 203 pending.

(8) (Deleted.)

(9) fife account is not a USGLI policy.

NOTE: Tile system will not automatically process a deduction type account (how paid [ ] 3, deduction from benefits or how paid f j 6, allotment) or an employer payroll deduction (how paid [j 8, payroll deduction). However, when the deduction discontinuance is posted, either by the system or clerically, and the how paid code is changed to 9, system processing will then take place provided all other conditions are met. if not, a VA Form [29-5886b, Insurance] Record Printout (RPO), with reason code 901, will be generated. In these cases, an (AT (automatic typewriter) letter] will be released to the insured.

b. The system will, if all conditions in subparagraph a above are met:

(l) Change flee how paid code to 0 and flu last transaction date to the anniversary date following the end of the premium-paying period.

(2) Delete pending transactions in flee 200 series, unless one of the transactions is transaction type 203, or, in a multiple policy case, the pending transaction has no policy number.

(3) Insert a 609/609 pending disbursement to refund the deleted pending transactions (plus any premium overage or minus any premium shortage).



(4) On how paid 5 cases, generate an RPO with reason code DWT or STOP WAIVER to be sent to the Insurance Claims Section, delete the 944 diary, and turn off the reimbursable bit, if this bit is set.

(5) Release VA Form 29-5885, Information About Your Insurance, to the insured, with the following message:

WE ARE PLEASED TO TELL YOU THAT THE PREMIUMS ON YOUR LIMITED PAYMENT LIFE POLICY MAINTAINED IN FORCE UNDER THE PREMIUM WAIVER PROVISION ARE NOW COMPLETELY PAID.

**19.03 RELEASE OF VA FORM 29-5885, INFORMATION ABOUT YOUR INSURANCE**

a. VA Forms 29-5885, with ilk following messages, are generated by the system when the final premiums on a how paid code 9 limited payment life policy is automatically applied:

l. Direct payment

Your payment of _____ dated _____ paid the final premium due on policy _____ No further premium payments are necessary.

(2) Direct payment-TDIP payments continue

**The payment of _____ dated _____ paid the final premium due on the life insurance on policy _____ However, premiums on your total disability income provision are payable to age 65. The next ____ TDIP premium of _____ is due _____ .** TDIP premiums may be paid monthly, quarterly, semiannually, annually, or for longer periods. Information will be supplied on request.

(3) Statements similar to flu above are released when dividends are applied under the dividend premium option with modifications to substitute dividend for payment.

(4) The following additional statements are added to flu VA Form 29-5885:

(a) Participating policy

Dividends continue on paid-up accounts. However, the amount may change from year to year.

(b) All VA Forms 29-5885

The face value of the policy, less any indebtedness, is payable to the beneficiary at your death. Cash values are shown in the table of guaranteed values in your policy. The cash value for any future year will be quoted upon request.

b. When a how paid 9 account must be clerically updated at the time the final premium is paid [an AT (automatic typewriter)] letter will be released to the insured.

**19.04 CLERICAL PROCESSING OF GENERATED RECORD PRINTOUTS**

a. When all conditions are not met for the automatic processing of a limited payment life policy for a non deduction type policy, an RPO, reason code 901, is generated. Upon receipt of this RPO, take the following actions:

(l) The life and, if appropriate, the TDIP how paid code will be changed to 0, the last transaction date to the anniversary date following the end of the premium-paying period and the freeze on the master record will be removed.

(2) Pending remittances, plus premium overages or minus shortages, will be refunded.

(3) lf flare is a dividend credit balance and an indebtedness, the insured will be advised that the dividend credit can be applied to pay or reduce the indebtedness.





(4) If the dividend option is premium, take the following action:

(a) If no loan indebtedness exists, the dividend option will be changed to credit.

(b) If a loan indebtedness exists on the policy, the option will be changed to the indebtedness option provided there are no other policies on a premium-paying basis; otherwise, the option will be changed to credit.

(c) No change of option will be made if TDIP premiums are payable beyond the premium-paying period of the life contract.

(d) FL 29-658 [or an AT] letter, as appropriate will be used to advise the insured of the action taken, the status of the insurance and other dividend options available.

b. An RPO, reason code 273, is generated when a Collections item is processed and one of the following conditions exists:

(I) Payment was applied and paid premiums to the end of flu premium-paying period with a shortage. The insured will be advised of the status of the policy.

(2) Payment made pending as premiums are already paid through the end of the premium-paying period.

(a) If premiums on TDIP are paid to the cancellation date and the life contract is still on a premium-paying basis, apply any overage or pending remittance to the life premiums only. Change the how paid code for TDIP to 0 to prevent the system from freezing the policy. The insured will be advised of flu status of the policy.

(b) If premiums on flu life contract are paid through the premium-paying period but premiums continue on TDIP, change the how paid code for the life contract to 0. Apply the remainder of ilk remittance, if any, to the TDIP. The insured will be advised of the status of flu policy.

c. When premiums are paid by deduction (allotment, deduction from benefits, employer payroll) and the computer system 4s unable to make the required processing 4 months prior to the end of the premium-paying period, an RPO, reason code 911, will be generated for clerical processing.

(I) Allotment Accounts

(a) If flu insured has only one policy, and is competent, a VA Form 29-1588, Request for Allotment Deduction Change, is prepared by the system to discontinue or decrease ilk allotment. In addition, the system prepares a VA Form 29-8348, Information About Your Insurance, with the following message:

THE FINAL PREMIUM ON YOUR POLICY IDENTIFIED ABOVE IS DUE _____ . WE HAVE REQUESTED THE SERVICE DEPARTMENT TO DISCONTINUE YOUR ALLOTMENT EFFECTIVE WITH PAYMENT OF THE FINAL PREMIUM ON THIS POLICY.

A 95 l callup, with a callup date l month after flu end of the premium-paying period also is automatically established.

(b) If the insured has multiple policies, ilk VA Form 29-1588 will be prepared clerically. A 953 nonfreeze diary will be established with a callup date l month after the end of the premium-paying period. The diary message is 1588 (Month No.). The insured will be advised of the action taken to decrease or discontinue flu allotment.

(2) Deduction From Benefit Accounts

(a) Four months before the last premium is due, VA Form 29-5885. Information About Your Insurance, is generated by the computer system for release to the insured informing him [or her VA] will discontinue the deductions that pay premiums on the policy.

(b) If flare is a loan segment of $100 or more, another paragraph is added, stating: However, your deduction can be used to repay your loan. If you wish to do this, please tell us within 15 days.





l. If a reply is received in sufficient time to prevent flu release of the VA Form 29-5926, Request for [DFB Action], to discontinue the premium deduction and the transaction does not involve a change in the amount of the current deduction, the mechanically prepared VA Form 29-5926 will be obtained from flu Input [activity], DPC, and routed to the Policy Service [technician]

2. The clerk will destroy the mechanically prepared VA Form 29-5926 and insert a 971 nonfreeze diary using the legend, PREM TO LN (Month No.). The callup date will be the 20th day of the month following the change from premiums to loan effective month.

3. VA Form 29-5923, Allotment/DFB Input Card, will be prepared as input to redistribute the deduction amount to the loan account and insert or increase the deduction amount in the loan repayment field of the loan segment and delete the on-tape diary.

4. An off-tape diary will be established, by month, using the prepared input for diary purposes. The diary date will be the premium-to-loan effective month.

5. Release the prepared input for processing on the first workday of each diary month.

(c) If a reply is received from the insured in time to prevent the discontinuance of the current premium deduction, and tl~ transaction involves an increase or a decrease in the deduction amount, the mechanically prepared VA Form 29-5'926 will be obtained from the Input [activity] , DPC, and routed to the Policy Service [technician] . [He/she] will destroy the

mechanically prepared VA Form 29-5926 and prepare a new VA Form 29-5926 to increase or decrease the deduction with card column 31 appropriately coded.

(d) If the reply from the insured is not received in time to prevent release of the VA Form 29-5926 to discontinue the current premium deduction, a VA Form 29-5926 will be prepared and released to increase, decrease or reestablish flu deduction with card column 31 appropriately coded. The regular diary message will be inserted.

(e) In all instances, the insured will be notified of flu action taken either by release of a VA Form 29-5707, Acknowledgment-Request for Deductions from Benefit Payments, [AT] or dictated letter, which ever is appropriate.

(f) When an RPO, reason code 911, is generated because the computer system is unable to process the action, clerical action will be initiated. VA Form 29-5926 will be prepared to take whatever action is appropriate. A nonfreeze diary will be inserted with a callup date 1 month after the end of the premium-paying period. The diary message to be inserted is 5926 (Month No.). Advise the insured of the status and flu action taken.

(3) Employer Payroll Accounts

A local form letter or an (AT] letter will be released to the insured requesting discontinuance or decrease of flu deduction, as appropriate. A 970 nonfreeze diary will be inserted with a callup date 1 month after the end of flu premium-paying period. An appropriate diary message will be inserted.

d. RPO, reason code 921, is generated l month after the end of the premium-paying period for deduction accounts (allotment, DFB and employer payroll) if the deduction discontinuance 1~s not been processed on the master record. Followup action to discontinue or decrease the deduction will be taken if necessary. If a followup request is made, input will be prepared to advance the 921 callup in the master record 120 days for allotment accounts and 75 days for DFB and employer payroll deduction accounts. The 953 diary is automatically updated by the system; The diary on payroll deduction accounts will be clerically updated to the same date as the 921 callup date.





(3) Employer Payroll Accounts

**A local form letter or an MTST letter will be released to the insured requesting discontinuance or decrease of the deduction, as appropriate. A 970 nonfreeze diary will be inserted with a callup date l month after the end of the premium-paying period. An appropriate diary message will be inserted.**

d. RPO, reason code 921, is generated 1 month after the end of the premium-paying period for deduction accounts (allotment, DFB and employer payroll) if the deduction discontinuance

has not been processed on the master record. Followup action to discontinue or decrease the deduction will be taken if necessary. If a followup request is made, input will be prepared to advance the 921 callup in the master record 120 days for allotment accounts and 75 days for DFB and employer payroll deduction accounts. The 953 diary is automatically updated by the system. The diary on payroll deduction accounts will be clerically updated to the same date as the 921 callup date.

CHAPTER 20. EXCESS OF TEN PENDING TRANSACTIONS


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CHAPTER **20.** EXCESS **OF TEN** PENDING TRANSACTIONS

2(L01 GENERAL

a. (The MASU (Miscellaneous Accounts and Service Unit) will **maintain** a control file ii, terminal digit **order of insurance** file **number for VA Forms 29-5954, Excess of 10 Pending Transaction Control Card, received from (the** computer **system). A VA Form 29-5954a, Excess of 10 Pending Transaction Work Card,** will **also** be **received** to **be used by the adjustment clerk when processing the case under file maintenance procedures.**

b. (The **number of** pendings **that can be** recorded on the pending transaction **tape** Is 10 per insured, regardless of the number of contracts in force)(From June 3, 1968, **until** February 19, 1969, 20 pending transactions could have been maintained on an account.) When the maximum number of pendings for an insured have been recorded and another transaction is made pending, one of the previous pending transactions **will be** automatically deleted by the system. This transaction may or may not involve a monetary amount. Thus transaction **will** be punched into VA Forms 29-5954 and 29-5954a which will be sent **by the** DPC (data processing center) to the MASU for control outside the system. A VA Form 29-5886a, Record Print Out (RPO), with reason code 975 will be generated with the punched cards. In addition, a listing will also be provided. Pending transactions represent pending postings, disbursements, dividends, allotment/DFB transactions, diaries, or pending dividend credit! deposit additions. These transactions will **always be** identified with the file prefix and **file** number.

**c.** **The** insertion of a VA Form 29-5895a, Pending Transaction Input, with a special diary message PENDINGS IN ARU, will cause the system to delete all of the pending transactions. The format of the transactions deleted **will** be the same as they appeared on the pending tape. The diary message on the pending **tape** will read PENDINGS IN ARU, which indicates all other pending transactions were deleted and punched into VA Forms 29-5954. This method eliminates deleting each pending item by means of individual input documents.

d. The excess of 10 pending transaction file is reconciled monthly and must be maintained under strict control. **The MASU** will be the only operating element to insert or delete the diary message PENDINGS IN ARU. If an RPO containing a diary message PENDINGS IN ARU is received in an operating element other than the MASU, and **there** exists a new pending transaction requiring file maintenance action, the RPO will be sent to the MASU for necessary action.

e. Excess of 10 pending transactions **will** consist of VA Forms 29-5954 and 29-5954a, and a listing in terminal digit order by insurance file **number.** For each **file** number involved, there will be an RPO reflecting a reason code 975.'

20.02 INITIAL AL PROCESSING BY THE UNAPPLIED REMITTANCE CONTROL CLERK

**a.** VA' Forms 29-5954 **will be** filed in terminal digit order in the control file. Control cards will not be removed from file unless finale action is being taken by the adjustment clerk when processing the case.

b. A copy of the listing will **be filed** by day number order.

**c.** RPO's will be associated with matching VA Forms 29-5954a and sent to the adjustment clerk for processing.

20.03 INITIAL PROCESSING BY THE UNAPPLIED REMITTANCE ADJUSTMENT CLERK

a. Upon receipt of VA Form 29-5954a and the RPO, VA Form 29-5895a, Pending Transaction Input Card, transaction type 008, will be prepared to insert a diary message PENDINGS **IN ARU with a** 975 callup type. The record **will be** suspended.

b. VA Form 29-5895a, transaction type 098, will be prepared with information from the VA For-ii 29-5895a, transaction type 008, except for the pending transaction)ii **callup** date and suspend record indication to delete **the diary message being** inserted.





c. VA Form 29-5895a, transaction **type 008,** will be released to the Data Control Section, data processing Center, for punching and insertion into the next available processing day number for **deletion** of the other 10 pending transactions.

**d.** **The VA Form** 29-5895a, transaction type 098, will **be retained for** control purposes to delete **the PENDINGS IN ARU diary message upon** completion **of the necessary adjustment.**

20.04 ADDITIONAL PROCESSING BY THE UNAPPLIED REMITTANCE CONTROL CLERK

**After processing of the VA Form 29-5895a by** the **system, and upon** receipt **of** the pending transactions that **were deleted from the pending transaction tape and the accompanying terminal digit listings, the control clerk will** take the following actions:

a. Totals of the **listing** will be verified **with** the Accounting Section, **Finance** and Data Processing Division. Any out-of-balance condition will be reconciled before **that group** of work is further processed.

b. The listing will be filed by day number order.

**c.** **The** VA Forms 29-5954 will be filed with **the** excess of 10 control cards for **the same account.**

d. **The** VA Forms 29-5954a work cards will be associated with a current RPO and the excess of 10 work cards, and sent to the adjustment clerk for processing.

20.05 ADDITIONAL PROCESSING BY THE UNAPPLIED REMITTANCE ADJUSTMENT CLERK

a. **The adjustment** clerk **will** complete all action on the case by the preparation of **input documents.**

b. It an unprocessed application is tile cause to the pending transactions, the responsible operating element **will** expedite action on **the application.** if late remittances are the cause of the pending transactions, a search will be conducted for a reinstatement application. lf the reinstatement application cannot be located and a reasonable **amount** of time has passed since the **application** was released to the insured, the RPO will be forwarded for release of a status letter. If there will be a delay in processing a case, the reason for the delay will be noted on the lead workcard and all work cards will be refiled in **the** excess of 10 workcard file. A new RPO will be requested before **the** case can be reworked.

**c.** When a case can be processed, **the** following **action** will be taken:

(1) Insert the file number, last name of the insured and current date on a special over-printed VA Form ?051 b, Data Sheet.

(2) Record calculations and any necessary **notations** will be made on the data sheet under Remarks. These will assist in a subsequent review of the case. If more room is needed, the reverse of the data sheet may be used.

(3) VA Forms 29-5893a, Premium input; 29-5894a, Optional Segment Input; 29-5894b, TDIP Input; 29-5895a, Pending Transaction **Input** Card-ADP; 29-8523, Premium/TDIP; 29-8525, Dividend-Loan-Lien; and 29-8526, Pending Transaction; as appropriate, will be prepared to update the master record. When money is involved, Unassociated Collections-Withdrawn **or** Applied, control **account 20,** will be debited and the control **account** to which the money is being applied will be credited.

(4) The corresponding control cards will be **withdrawn.**

(5) Adding-machine tapes will be prepared from the control cards, reflecting money and control account 20 on the input documents. if not in balance, they will **be reconciled** before any further processing.

(6) A B-batch number money control punched card will be requested from the Accounting Section to represent the money items being processed by file maintenance actions. For convenience, a group of prenumbered money control punched cards may be assigned in advance to the MASU.

(7) A transmittal sheet will be prepared to include the item count, total money amount disposal, day number disposal code G and the money control batch number.

(8) The input documents, the money control batch card, and VA Forms 29-5895a, transaction type 098, to delete the PENDINGS IN ARU diary will -e sent to the Data Control Section to be included in the next processing day number.

(9) The VA Forms 29-5954, control cards, both money and non money items, and transmittal sheet will be sent to EAM for gang-punching the day number disposed, disposal code G and preparation of a three-part listing. Disposal codes are listed in chapter 21, paragraph 21 .08e this manual. VA Forms 29-5954 will be filed in the excess of 10 pending transaction balance adjustment file at the DPC.

(10) The overprinted data sheets, RPO's adding-machine tapes, and work cards will be held until the listing and transmittal sheets are returned.

20.06FINAL PROCESSING BY THE UNAPPLIED REMITTANCE CONTROL CLERK

**Upon receipt of the listings and transmittal sheet from the DPC, the control clerk will take the following actions:**

a. The totals on the listing and transmittal sheet will be verified.

b. The money control batch number will be entered on copies I and 2 of the listing.

c. The original listing will be forwarded to the Insurance Control activity for posting.

d. Copy 1 of the listing will be filed in the MASU by disposed day number order.

e. Copy 2 of the listing will support the overprinted data sheets. This copy will be cut after each file number (skip spaces are provided) and stapled to the corresponding overprinted data sheet. The listing reflects all the pending transactions involved and completes the history of the action taken.

f. The overprinted data sheet and RPO will be forwarded for filing in the insurance folder. The adjustment clerk in the Policy Service Section will be advised to clear any pending RPO's and/or make any further necessary adjustments.

g. The VA Forms 29-5954a work cards will be filed in a completed file. This file will be disposed of in accordance with Records Control Schedule VB-I after the monthly reconciliation.

20.07CORRECTIONS OF PENDING TRANSACTIONS WITH INVALID DATA

**When it is necessary to delete a pending transaction which contains invalid data and on which normal deletion input is rejected in run 130, the supervisor of the operating element involved will prepare a memorandum and send it to the MASU, requesting that the excess of 10 pending transactions procedure be used to delete the invalid pending item(s) existing on the case. A current RPO will be attached to the memorandum.**

2O~3

Insurance Center

VA Regional Office and
Circular 29-85-2
Philadelphia, PA
December 18, 1985

1986 SCHEDULE FOR RECONCILIATION OF UNASSOCIATED REMITTANCES AND EXCESS-OF-TEN PENDING TRANSACTION

1. ORGANIZATIONAL ELEMENTS AFFECTED: Insurance Operations Div. - VAROIC
Finance Division - VAROIC
Operations Division - VARDPC

2. REFERENCES: M29-1, Part II, Paragraphs 20.01 and 21.15

3. PURPOSE: To provide the 1986 schedule for the reconciliation of Unassociated remittances and excess-of-ten pending transactions.

4. PROCEDURE:

a. General:

(1) There will be a one-day cut-off for disposal vouchers for all Unassociated remittances and excess-of-ten items. There will be a two-day cut-off for establishments (receipts) for all Unassociated remittances and excess-of-ten items.

•b. Detail:

(l) The Accounting Section will post the subsidiary ledgers through the disposal and establishment cut-off dates and the Miscellaneous Accounts and Service Unit will file establishments through the cut-off dates as reflected below before the reconciliation listing is made.

**ESTABL**

**ISHMENT CUT-OFF**

**DISPOS**

**AL CUT-OFF**

**RECON**

**CILIATION**

**1986 PDN** **1986**

**1986 PDN AND DATE**

| | | | |
|---|---|---|---|
| 029 | 030 | 031 | (JAN. 31) |
| 057 | 058 | 059 | (FEB. 28) |
| 086 | 087 | 090 | (MAR. 31) |
| 118 | 119 | 120 | (APR. 30) |
| 148 | 149 | 150 | (MAY 30) |
| 177 | 178 | 181 | (JUNE 30) |
| 210 | 211 | 212 | (JULY 31) |
| 239 | 240 | 241 | (AUG. 29) |
| 269 | 272 | 27~ | (SEPT. 30) |
| 302 | 303 | 304 | (OCT. 31) |
| 329 | 330 | 332 | (NOV. 28) |
| 363 | 364 | 365 | (DEC. 31) |

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

6. RESCISSION: Circular 29-84-5 is rescinded effective January 2, 1986.

ROBERT W CAREY
**Director**

DISTRIBUTION:
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## **CHAPTER** 21. **UNASSOCIATED TRANSACTIONS**

**21.01** GENERAL

a. Unassociated transactions are routine collection items and deduction transactions which are not associated with a master record. The Philadelphia VA center will process and control all Unassociated establishments, discontinuance's and requests for distribution stemming from deduction-type accounts.

b. An Unassociated item will result when any transaction fails to match a master record file prefix, file number, and name code.

c. Unassociated transactions will be controlled and maintained in a punched-card file using VA Form 29-1675, Unassociated Transaction Control Card. The control file will be maintained in alphabetical order. A VA Form 29-1675a, Unassociated Transaction Work Card, will be used for searching, associating and identifying insurance records either on or off the system.

d. Unassociated transactions will be received from the ADP [(automatic data processing)] system, interoffice transfers, Collections and Cashier Section and tl~ Policy Service Section. They will consist of VA Forms 29-1675 and 29-1675a with listing. The source of these Unassociated transactions will be indicated by the following card numbers:

| **Card** Number | Source **of** Unassociated Transaction |
|---|---|
| 1 | ADP system |
| 2 | Interoffice transfer in |
| 3 | Misc. (Collections and Cashier Section, Policy Service Section, or corrections to VA Form 29-1675) |

21.02 **UNASSOCIATED TRANSACTIONS RECEIVED FROM THE ADP SYSTEM**

a. All Unassociated transactions will contain the same data as the original input document, except when the

transaction did not meet edit requirements in run 130. A numeric reason code will replace the name code field. These Unassociated transactions will not be rejected in run 130, but will be passed through run 140 and accompany regular Unassociated transactions from run 150. The numeric reason codes as shown in MP-6, part II, supplement No. 1.4, are inserted by run 130.

b. lf multiple collection transactions in the 200 series match on file number, policy number and postmark date, they will be combined as a single transaction in run 130. The total of the combined amounts will be received as a single Unassociated transaction showing transaction type 209.

c. Documents received from the [Analysis and Control Section, DPC (data processing center), involving Unassociated transactions are as follows:

(l) VA Forms 29-1675 and 29-1675a with listings in alphabetical order. Unassociated transactions which did not meet run 130 edit requirements will be in terminal-digit order in front of the VA Forms 19-1675. The following transaction type series will be received:

(a) Transaction types 100, 110 and 120.

(b) Transaction type 114.

(c) Transaction types 200 series, 300 and 302.

(d) Transaction types 301, 303,304 and 305.



**NOTE: The Philadelphia VA center will receive all the above transaction types. The St. Paul VA center will receive only the transaction types labeled 200 series, 300 and 302.**

(2) VA Forms [29-5886b, Insurance Record Printout] (RPO) reason code 985, matched with Unassociated transactions that matched a master record on file prefix and [ ] number but not on name code. The collection transaction type code will be shown to the left of the RPO reason code.

(3) Correspondence matched with an Unassociated transaction.

21.03 INTEROFFICE **TRANSFERS** OF UNASSOCIATED TRANSACTIONS

**a.** Transferring Office

(l) VA Forms 29-1675 and 29-1675a with attachments will be withdrawn from file and prepared for transfer at least every third day.

(2) An adding-machine tape will be prepared for each group of VA Forms 29-1675 and **a** separate tape for VA Forms 29-1675a, showing total of amounts **and** item count.

(3) Transmittal sheets will be prepared in duplicate. The transmittal sheet will include the total of amounts, item count, day number, and disposal code F. (See par. 21 .08e.) Indicate the office to which being transferred and from which transfer is being **made** by showing (Transfer to office code) TF (Transferred from office code). The codes are **7** for Philadelphia and 8 for St. Paul. Example: Transfer by St. Paul to Philadelphia will be shown on the transmittal sheet 7TF8.

(4) The VA Forms 29-1675 will have the disposed day number gang-punched in card columns 74-76 and disposal code F in card column 80. They will be sorted into alphabetical sequence by name code and a listing, in duplicate, made.

(5) The VA Forms 29-1675 will be reproduced into VA Forms **[4]-367a,** Collection and Payroll Deduction Card. The code for the office to which transferred will be punched in card column 80.

(6) The VA Forms [4]-367a will be interpreted and alphabetically listed in four copies. The totals of VA Forms 29-1675 and [4]-367a will be reconciled.

**(7)** The VA Forms 29-1675 will be filed in the Unassociated balance adjustment file.

(8) The VA Forms [4]-367 and attachments, original listing of VA Forms 29-1675, original and two copies of the VA Forms [4]-367a and the original transmittal sheet will be sent to the Finance [activity] - They will file the VA Forms 29-1675a with **a** copy of the listings of VA Forms 29-1675 and [4]-267a. They will post ledgers and forward VA Forms (4]-367a, 2 copies of listing, transmittal sheet and attachments to the transferred to office.

b. Transferred to Office.

(l) Upon receipt of the VA Forms [4]-367a, transmittal sheet with attachments and listing in duplicate, ledgers will be posted and VA Form [4] -1622, Transmittal List of Posting Media and Report of Distribution, prepared from the totals on the listing.

(2) The VA Forms [4]-367a, attachments, copy of listing and VA Form [4] -1622 will be inserted in a current day number.

**NOTE: VA Forms 29-1675 will be examined and, if in order, they will be included with the next group of Unassociated transactions being disposed of under disposal code H (via transfer to undistributed [insurance collections).**

21.04 UNASSOCIATED TRANSACTIONS RECEIVED FROM COLLECTIONS

a. The Collections and Cashier Section will prepare VA Forms [4] -1638, Unidentified Remittance Acknowledgment, on unidentified and try number remittances. Any correspondence or pertinent material will be



securely attached to the corresponding VA Form 29-1638. The VA Forms 29-1638 will be arranged Y alphabetically with no-name items in front of name items before preparing adding-machine tapes. A transmittal sheet will be prepared in duplicate.

b. The original copy of the transmittal sheet, prepared in the Collections and Cashier Section, will be used when sending VA Forms 29-1638, with attachments, to the Data Control Section, DPC. The transmittal sheet will include the current day number, total amounts and number of items. The duplicate transmittal sheet will be forwarded to the MASU.

c. Upon completion by the Data Control Section, the VA Forms 29-1638, transmittal sheet and attachments j will be returned to the Collections and Cashier Section until the daily deposit unit has been balanced. After balancing of the unit, the VA Forms 29-1638, transmittal list and attachments will be sent to the MASU for matching with the daily unit of Unassociated transactions.

d. The Data Control Section will forward VA Forms 29-1675 and 29-1675a and listings for the daily unit to the MASU.

**21.05** TRANSACTIONS ASSOCIATED WITH THE WRONG MASTER RECORD

a. The MASU will receive Unassociated transactions in memorandum form. These may be allotment/DFB or direct pay transactions that were associated with a wrong master record. (The MASU may also originate the memorandum.)

b. The memorandum, in triplicate, will explain the transaction with complete information to construct VA Forms 29-1675 and 29-1675a. Any input documents prepared to adjust the master record from which the transaction was removed will accompany the memorandum.

c.The memorandum will be reviewed for completeness and if in order, the notation Accepted By (date and
L ~ signature of the reviewer) will be entered on the original.

d. The original of the memorandum will be sent to the Accounting Section.

e. Copy 1 of the memorandum, with a transmittal sheet, will be sent to the EAM activity, DPC, for constructing VA Forms 29-1675 and 29-1675a. The transmittal sheet should reflect the number of items, the amount of money, and card No. 3 indicating that the transaction is from a miscellaneous source. Copy 2 of the memorandum will be retained in the MASU until the documents processed by the EAM activity are returned.

f. The EAM activity will take the following action:

(1) Keypunch and verify VA Forms 29-1675a from the information furnished on the memorandum.

**(2)** Reproduce VA Forms 29-1675a into 5081 stock.

(3) Reproduce 5081 cards into VA Forms 29-1675.

(4) Interpret the VA Forms 29-1675 and 29-1675a.

(5) Prepare listing of VA Forms 29-1675 in duplicate.

g. VA Forms 29-1675 and 29-1675a, with listing, transmittal sheet and memorandum will be sent to the MASU. The reproduced 5081 cards will be filed in the Unassociated transaction balance adjustment file in the EAM activity. Copy 1 of the memorandum will remain with the listing filed in the MASU. Copy 2 of the memorandum will be sent for filing in the insurance folder.

**21.06** PROCESSING UNASSOCIATED TRANSACTIONS v

a. The MASU will be responsible for insuring that all work groups received are in balance before processing any further.

b. When an Unassociated transaction is identified and the basic accounts record is located, process the item to conclusion by taking one of the following actions:

(1) [If the master record is on tape and no interfund transfer is required, prepare a VA Form 29-8526, Pending Transaction, transaction type 008, debiting control account 20 and crediting control account 16. When an interfund transfer is required debit control account 18 and credit control account 15. The funds will be identified when making this transfer. The input will be prepared showing a current callup date and without a freeze.]

**(2) When the account is not on tape and the insurance folder is filed in the same office, it will be examined to determine the correct disposition of the Unassociated transactions. If the folder is not filed in the same office, a dictated letter will be prepared requesting the remitter to identify the reason for the remittance.**

**(3) (Deleted by change *6.)***

**•(4) When the Unassociated transactions activate a purged account by reinstatement or adjustment, input documents will be prepared to insert and update a master record.**

**(5) Take necessary refund action if the Unassociated transaction is subject to refund.**

***(6)* Take necessary transfer action if it is determined that the Unassociated transaction belongs to another office.**

c. When disposing of Unassociated transactions related to RH temporary master records, take the following actions: If no interfund transfer is required, VA Form 29-5895a, Pending Transaction Input Card, or VA Form 29-8526, Pending Transaction, transaction type 008, will be prepared debiting control account 20 and crediting control account 16. When interfund transfer is required, debit control account 18 and credit control account 15. The funds involved will be identified when making this transfer. Example: Money deposited to fund l, debit fund 1, control account 18 and credit fund 3, control account 15. Also, VA Form 29-5893a, Premium Input, or VA Form 29-8523, Premium/TDIP, transaction type 013, will be prepared to update the temporary master record and VA Form 29-5895a, transaction type 098, to delete the 975 diary. B batch numbers will be used on the documents.

NOTE: Unassociated transactions that are initial remittances and are identified with a record on tape (RH), will be inserted as transaction types 203 with status code 3 regardless of the transaction type received in the MASU.

21.07 RECEIPT AND CONTROL OF UNASSOCIATED TRANSACTIONS

The following actions will be taken upon receipt of Unassociated transactions:

a. Verify listing totals representing Unassociated transactions from the ADP system with the Accounting Section.

b. Verify listing totals representing Unassociated transactions from all sources with the Accounting Section.

c. Copies of listings for all groups of work will be maintained in the Accounting Section and the MASU.

d. Any out-of-balance condition will be reconciled before that particular group of work is' further processed.

e. Compare VA Forms 29-1675a with listing to assure that all items have been received.



**f.** The remainder of the insured's name for Unassociated transactions for the ADP system will be secured from the collections input, corresponding envelopes or any other attachments.

g. The remainder of the insured's name will be printed in **the** space provided on the VA Form 29-1675a. lf a run 130 reject reason appears in the name code field, line through the reason code and print the insured's full name. lf the name is not available on the collections input cards, obtain the envelope and/or check the microfilm reel for the corresponding remittance.

h. Staple all related material to VA Form 29-1675a. Staples or clips will not be used on VA Form 29-1675.

l. File copy of alphabetical listing by day number in the MASU book.

j. The VA Forms 29-1675 will be interfiled with the existing alphabetic control file. Control cards will not be removed from file unless final action is being taken to dispose of the item or information is to be corrected by the EAM activity. All operating elements should request a search of the VA Form 29-1675 file whenever there is evidence of a missing remittance. VA Form 29-1556, Request for Remittance Information, will be used for this purpose.

Unassociated transactions misdirected and delivered to an office other than the one shown on the mailing envelope may be identified by the office code that appears in the appropriate area of the right side of the billing notice. Original collections notices matching Unassociated transactions will be reviewed and any with another office's mailing code will be processed for transfer.

| **Code** | **Explanation** |
|---|---|
| P | Philadelphia center |
| S | St. Paul center |

a. VA Forms 29-1675a will serve as the processing documents through all steps necessary to identify the corresponding Unassociated transactions. Operating notations will be made on the VA Forms 29-1675a to any extent required.

b. Primary sources of identifying information are the collections input cards, mailing envelopes, microfilm of remittance, correspondence or other attachments and local and Central Office indexing facilities.

c. The RPO's received with the group of Unassociated transactions from the ADP system should first be reviewed. The RPO's identified with a 985 reason code and a collections transaction type mean a transaction matched on file prefix and file number, but not on name code. A review of all material may reveal that a name code change is the only correction necessary.

d. If an insured forwards a remittance under an incorrect file number or no file number, and the Unassociated transaction is positively identified with the correct file number, prepare and release VA Form 29-5813a, Notice-Correct Insurance File Number, as follows:

(1) The Insurance File Number block will be filled in.

(2) As appropriate, either the Incorrect File Number block or the No File Number block will be checked.

(3) The name and address of the insured will be printed on the address side of the card.





e. When Unassociated transactions have been developed to where they require correction of original information or are ready for disposal, complete the appropriate blocks on VA Forms 29-1675 and 29-1675a. One **of** the following disposal codes will be used to indicate the action taken:

| **Code** | Explanation |
|---|---|
| **E** | Miscellaneous-change **of fund;** adding or correcting information on the Unassociated transaction, but unable to insert into the system; refund; or vouchered out to Unassociated Collections-Offsets Account. |
| F | Interoffice Transfer (Out). |
| G | Disposed (via File Maintenance). |
| H | Disposed (via Transfer to Undistributed Insurance Collections). These would include corrections (including fund changes) to Unassociated transactions where the Unassociated item can be converted to a collections format to be reinserted into the system, except uncollectible remittance items. |
| l | Disposed (Vouchered Outside the ADP System-to Premium, Loan, Lien, etc.). |

These disposal codes would include any correction, including fund change, and then follow through with another disposal code.

**f. Assemble the various disposal groups of VA Forms 29-1675 and 29-1675a, and at least every third day prepare adding-machine tapes from VA Forms 29-1675 and 29-1675a for each**

**group of work. When the adding machine tapes agree, prepare a transmittal sheet in duplicate for each group of work to include the disposal code, day number disposed, item count and total amount of money involved.**

**g. VA Forms 29-1675a, adding machine tapes, copy of transmittal sheet, and the related material will be retained. VA Forms 29-1675 and original of the transmittal sheet will be sent to the EAM activity for processing.**

**h. After the mechanical processing is completed, the original VA Forms 29-1675 will be filed in the Unassociated transaction balance adjustment file in the EAM activity.**

**i. The MASU will reconcile listings with transmittal sheets for all groups of work returned from the EAM activity.**

**j. The original of all listings and additional copies, where necessary, will be forwarded to the Accounting**
~ Section for posting to the intermediate ledgers. A copy of all listings will be filed by day number disposed and
~ type of action in the MASU. VA Forms 29-1675a will be filed in the completed file.

**k. Under the H disposal group, a listing of the VA Forms 29-1675, VA Forms 29-367a, Collection and Payroll Deduction Card, and listing for VA Forms 9-367a will be received. If in balance, prepare VA Form**
*24-1622, Transmittal Sheet, and forward it, together with VA Forms ~9-367a, all correspondence and related material, to the Collections and Cashier Section.*

21.09

REFUND **OF** UNASSOCIATED TRANSACTIONS

lathe Unassociated transaction controlled on VA Form 29-1675 is subject to refund, the following action will be taken:

**a. VA Form 24-706, Notice of Refund and Refund Work Sheet, will be prepared. A voucher number will be assigned and the worksheet noted to show that the amount being refunded is an Unassociated transaction.**



b. VA Forms 29-1675 and 29-1675a will be noted showing the **name of** the person to whom refund is being made, address and voucher number.

c. The day number disposed and disposal code E will be entered in the designated block of the VA Form 29-1675. The same notations will be made on the corresponding VA Form 29-1675a.

d. A transmittal sheet for disposal code E, clearly marked Refund of Unassociated Transactions, will be prepared.

e. The listings from the [DPC] EAM activity will be received, and if in balance, the voucher number will be noted on the listings. The original listing will be forwarded to the Accounting Section, the copy of the listing will be filed in the MASU, and VA Form 29-1675a will be filed in the completed file. Forward VA Form [4] -706 to the Voucher Audit [activity] for further processing.

f. If the Unassociated transaction was received after the date of death to repay a loan and/or lien, for an account purged from tape, prepare [the] appropriate voucher to transfer the payment from Unassociated Collections-Withdrawn or Applied to Matured Contracts Payable.

**NOTE: The Philadelphia and St. Paul VA centers will have occasion to make refund to a regional office. The same procedure as reflected above will be followed except SF 1081, Voucher and Schedule of Withdrawals and Credits, will be used in place of VA Form [41-706[].**

21.10 PROCESSING VA FORMS 29-348, DEBIT SLIP-UNCOLLECTIBLE **REMITTANCE**

a. When it is determined that an uncollectible remittance is under punched-card control as an Unassociated transaction, VA Form 29-348 will be prepared by the MASU. The uncollectible item and any related material will be mailed to the insured.

b. The VA Form **29-348,** and the VA Forms 29-1675 and 29-1675a will be processed as follows:

(1) Note VA Form 29-348, distributed to Unassociated collections.

(2) Note on VA Form 29-1675a the action taken. The day number disposed and disposal code H will be entered in the designated blocks on the corresponding VA Forms 29-1 675.

(3) A transmittal sheet for disposal code H will be prepared, clearly marked Uncollectible Remittance.

(4) Upon receipt of the listing and transmittal sheet, reconcile the balance. If in balance, file VA Forms 29-1675a in the completed file. File duplicate listing by day number order. The original listing and VA Forms 29-348 will be sent to the Accounting Section. The VA Form 29-1675 will be filed in the balance adjustment file in the [DPC] EAM activity.

21.11 **PROCESSING UNASSOCIATED TRANSACTIONS WHEN THERE IS NO MASTER RECORD**

When there is no master record on tape and there is an Unassociated transaction properly identified, one of the following actions will be taken:

a. lf the account was never converted to tape, a dictated letter will be prepared requesting the remitter to identify the reason for the remittance.

b. If a medical application is received with an Unassociated transaction, forward the application to the [Medical Determination] Section and note the VA Form 29-1675a accordingly. After [their action has been taken], the application will be returned to the MASU.

(l) If the application is acceptable, prepare the necessary input documents to insert the account on tape and effect reinstatement.



**(2) If the application is disapproved, take action to refund the Unassociated transaction.**

**c. If a reinstatement application or replacement application under 38 U.S.C.** 781, **replacement of surrendered and expired insurance, is received with an Unassociated transaction, follow the appropriate procedure as outlined above.**

**d. If the Unassociated transaction involves a master record that was previously on tape and has been purged, record posting actions on the final RPO located in the insurance folder as reflected above. If the purged RPO is missing, make a search in the transaction history file for the final transaction. As an aid to locating the final transaction, the search request will include the approximate purge date developed from available records on hand. Secure a history lookup from the final transaction back to a point where status is verified, such as a prior RPO. From this information, enter the necessary data on** a **blank RPO to simulate** a **final purged RPO. Note the reconstructed RPO as to the reason this action was taken and retain in the insurance folder in place of the missing RPO. Process the input documents under file maintenance procedure. Obtain a B batch number. The total amount of money representing the Unassociated transactions will be accounted for on the input documents. Debit Unassociated collections on the input documents, and credit the account to which the money is being applied. When Unassociated transactions are posted to purged RPO's, note the VA Forms 29-1675 and 29-1675a as to the action taken and prepare a transmittal sheet for disposal code G. Forward the input documents with the B batch card to the [Analysis and] Control Section to be included in the next processing day number. Forward the VA Forms 29-1675 to the [DPC] EAM activity with the transmittal sheet for processing. Upon return of the listing from the [DPC] EAM activity, note the B batch number on both copies of the listing.**

NOTE: The Philadelphia VA censer will prepare separate transmittal sheets involving Unassociated deduction transactions.

21.12 PROCESSING NO NAME AND NO ADDRESS UNASSOCIATED TRANSACTIONS

**a. The procedure outlined in this paragraph is restricted to those Unassociated transactions which were forwarded from the Collections and Cashier Section with no name and no address.**

**b. Immediately upon return of the VA Forms 29-1675 control card file from the monthly reconciliation listing, withdraw all no name and no address VA Forms 29-1675 that are 3 or more months old. Select the corresponding VA Forms 29-1675a and process as follows:**

**(I) The VA Forms 29-1675 and 29-1675a will be noted with the disposal day number, disposal code E and the action taken.**

**(2) A transmittal sheet will be prepared reflecting tic item count, total amount of money, day number disposed, and disposal code E. Identify the transmittal sheet as being No name-No address items.**

**(3) Upon receipt of the listings, flu amounts will be reconciled. If in balance, note the listings Transfer of No Name and No Address Unassociated Transactions to Unassociated Collections-Offsets account.**

**(4) VA Forms 29-1675 will be filed in the Unassociated balance adjustment file in the [DPC] EAM activity. VA Forms 29-1675a will be filed in the completed file in the MASU. The original copy of the listing will be sent to the Accounting Section and the copy of the listing will be filed by disposal day number in the MASU.**

21.13 **TRANSFER** OF ACTIVE **UNASSOCIATED** TRANSACTIONS TO INACTIVE

a. When all possible action has been taken to identify an active Unassociated transaction, send the VA Form 29-1675a and all associated documents, with the exception of VA Form 29-1675, to the supervisor for review.





**b. Cases needing further development will be returned to the unapplied remittance clerk for appropriate action.**

**c. Cases not requiring further development, [and after all actions have been taken, transfer the moneys to the General Fund Receipt Account 36X1060.J**

**d. [Destroy the posting media and all attachments.]**

21.14PROCESSING UNASSOCIATED **TRANSACTIONS (PHILADELPHIA** CENTER ONLY)

**a. A 9A batch number will be assigned for all Unassociated transactions being reinserted for allotments, DFB, USGLI and K deduction transactions.**

**b. The VA Forms 29-1675 will be accumulated and released weekly as a single group. A transmittal sheet will be prepared to include item count, disposal day number, disposal code H, and the A batch number. No money amount will be shown, as allotment/DFB Unassociated establishments and discontinuance's are not money items.**

**c. Include allotment and DFB loan/lien Unassociated transactions that are identified with the regular VA Forms 29-1675 being inserted into ADP system as collections input items under disposal code II. These are money items.**

**d. When a request for distribution, transaction type 114, is received with a matching RPO, take the following action:**

**(1) Search in the Unassociated transaction file for a corresponding Unassociated deduction establishment and/or discontinuance.**

**(2) lf an establishment and/or discontinuance is of record, file the VA Form 29-1675a in the completed file and dispose of the RPO. Dispose of VA Form 29-1675 with transaction type 114 under disposal code l. Where necessary, prepare VA Form 29-5923, Allotment/DFB Input Card to Run 160-ADP, to correct the**

**deduction control record. Correct the VA Forms 29-1675 establishments and/or discontinuances where necessary and reinsert into run 130, and dispose under disposal code H.**

**(3) If an Unassociated deduction establishment and/or discontinuance is not of record, and after the reason for an Unassociated transaction type 114 is determined, correct the deduction control record accordingly. File the VA Form 29-1675a in the completed file. Dispose of the RPO. Dispose of the VA Form 29-1675 under disposal code I.**

**e. When a request for distribution, transaction type 114, is received without matching RPO, take the following actions:**

**(1) Identify the Unassociated transaction and review available insurance records to determine the reason for the Unassociated items.**

(2) Search the Unassociated transaction file for corresponding Unassociated establishments and/or discontinuances.

**(3) If the insurance account is in an active status, take necessary action to correct improper data or establish a master record. Process any matching establishment and/or discontinuance at the same time.**

**(4) If the insurance account is in an inactive status (death, cash surrender, lapse, etc.), and the deduction discontinuance is not of record, hold the Unassociated transaction type 114 until the discontinuance is received.**





(5) Any subsequent transaction type 114 received for the same account will replace the existing transaction type 114 item, which is disposed of under disposal code I.

(6) If the establishment and/or discontinuance is used to update a premium record card (off tape action), dispose of the Unassociated transaction under disposal code I.

(7) If the establishment and/or discontinuance is used to update a master record by reinserting into the system, dispose of the Unassociated transaction under disposal code H.

21.15 RECONCILIATION

a. The Unassociated transaction control file will be reconciled with the Accounting Section totals once a month. Each office will prepare its own reconciliation schedule and establish the cutoff dates for receipts and disposals.

b. The MASU will make certain that all work commenced before the cutoff dates will be completed and that all VA Forms 29-1675 and VA Forms 29-5954, Excess of 10 Pending Transaction Control Card, are in the respective files before starting reconciliation. The entire

files of VA Form 29-1675 in alphabetical order and VA Forms 29-5954 in digit order will be sent to the EAM activity.

c. The EAM activity will list the VA Forms 29-1675 and 29-5954 in quadruplicate and return the files and two copies of the listings to the MASU. The original and one copy will be forwarded to the Accounting Section.

d. The MASU will file one copy of each listing in the respective files.

**NOTE: One copy of the listing of VA Forms 29-1675, in alphabetical order, will be forwarded to the St. Paul or Philadelphia VA center for informational purposes.**

21.16 IDENTIFIED REMITTANCES FOR OTHER FUNDS DEPOSITED IN AN INSURANCE FUND OR APPROPRIATION

a. The Unassociated Remittance activity will prepare SF 1017-G, Journal Voucher, annotated as ADJUSTMENT, in triplicate, for transfers between appropriation, fund and receipt accounts which affect only the accounts in the local station. When the accounts of another VA station or government agency are involved, SF 1081, Voucher and Schedule of Withdrawals and Credits, in original and seven copies, will be prepared.

b. The original and one copy of the SF 1017-G, or the original and six copies of the SF 1081 will be sent to the Accounting Section for certification and processing through the Unapplied Remittance control. The final copy of either form is held for control purposes. It will be replaced by **a** certified copy when returned from the Accounting Section.



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# CHAPTER 22. TRANSFER OF RECORDS

## 22.01 GENERAL

a. All requests for the permanent transfer of insurance records will be sent to the MASU (Miscellaneous Accounts and Service Unit) which will be responsible for the assembly, receipt and dispatch of records. If the transfer cannot be accomplished within a reasonable time, the requesting office will be advised by teletype or telephone of the reason for delay and the approximate date of transfer.

b. When priority processing is necessary in the transfer of insurance records, the request will be made by teletype or FTS (Federal Telecommunications System). All transfers of records will be shipped via airmail.

c. All applications for conversion, change of plan, RH insurance, etc., received in the St. Paul VA center indicating premiums are to be paid by allotment from service or retirement pay, deduction from VA benefits or employee payroll deduction, will be sent with the insurance records to the Philadelphia VA center. Before releasing the insurance records, the St. Paul VA center will acknowledge the application and inform the insured of the reason for the transfer. [ j

d. All pending actions if possible, will be completed before the transfer is made. Unprocessed applications [ j and other material on which action cannot be completed including an RPO ([ l VA Form 29-5886b, Insurance Record Printout) with pending transactions will be secured to the outside of the folder.

e. The Philadelphia *VA* center will retain all insurance records maintained by that office except when partial records located in the Philadelphia VA center are requested for active accounts under the jurisdiction of the St. Paul VA center.

22.02 AUTHORITY FOR TRANSFER OF RECORDS

a. The St. Paul VA center will transfer insurance records to the Philadelphia *VA* center upon receipt of the following:

(l) Acceptable authorization for deduction from benefit payments. ( j

(2) Address changes received that will identify the insurance records as Philippine accounts.

(3) Evidence of establishment of allotment from service or retirement pay. [ j

(4) Evidence that the account has been placed on employer payroll deduction plan.

(5) Evidence that the policyholder has active USGLI K insurance.

*NOTE: If the insured has* less than $10,000 *NSLI in force and a K* number is shown, request the Philadelphia *VA* center to furnish status of the *USGLI* account. If they report the *K* insurance as being inactive, do not transfer the *NSLI* records.

(6) Teletype or telephone message originated by the Philadelphia VA center furnishing a valid reason for transfer.

b. On rare occasions and under unusual conditions when good judgment dictates that the transfer of records should be made, the Director of the VA center can authorize such transfer. A letter signed by the Director, explaining the reason for transfer, will be sent with the records.

c. On a split case when both the husband and wife carry National Service Life Insurance and one account is in the Philadelphia VA center and the other is in the St. Paul VA center, the address for insurance purposes will govern the jurisdiction for the retention or transfer of the insurance records. If one of the accounts should be other than direct pay (allotment, deduction from benefit payments, payroll deduction, retirement pay), the St. Paul VA center will transfer its records to the Philadelphia VA center regardless of billing address. In addition, if one of the accounts is an active USGLI account, the records will be transferred to the Philadelphia VA center.



22.03 PROCESSING TRANSFER OF RECORDS

a. VA Form 29~97, Request for Transfer of Insurance Records, will be used to initiate action to create the necessary file maintenance transactions to delete the master record in the transferring office and insert the master record in the receiving office.

b. The delete transactions will show TV batch numbers, and insert transactions will show RV batch numbers on the transaction history lists. The transactions will also be identified by these batch numbers on the general ledger total list.

c. The *VA* Form 29A97 will be completed by the MASU as outlined in MP-6, part II, supplement No. 2.1, section
108.00.

d. If the reason for transfer is the receipt of an acceptable authorization for deduction from benefit payments, evidence of establishment of allotment from service or retirement bay or payroll deduction plan, VA Form 29-5892a, Policy Input Card, will be prepared to establish a freeze and a 951 callup 90 or 120 days after the current date.

e. If the deductions are for a loan payment only, a VA Form 29-5895a, Pending Transaction Input [Card-ADP j (instead of VA Form 29-5892a), will be prepared to insert a nonfreeze diary message LOAN PAYMENT with a 953 callup. The diary period will be 120 days for allotment and service retirement pay and 90 days for payroll and DFB accounts.

f. The VA Form 29A97 and other clerically prepared input will be sent to the (Analysis and Control Section, data processing center.

g. An RPO reason code TRD to (OFFICE) will be received in the MASU when the VA Form 29-497 has been accepted by the system. When this RPO is received, it will be attached to the outside of the folder. A second RPO with reason code TV will be received indicating that the master record has been deleted. This RPO will be filed in the folder.

h. An RPO reason code 988 will be generated when there is no match on the name code. A corrected VA Fom~ 29A97 will be prepared.

i. When the file maintenance transaction to delete the master record is rejected, an RPO reason code 99A and rejected card(s) will be generated. The clerk will prepare the necessary input documents, using TB batch numbers in accordance with existing instructions, except that the control accounts will be as follows:

| Account Number | Title | Account Debit | Account Credit |
|---|---|---|---|
| 6112 | Loan | 62 | 01 |
| 6131 | Lien | 64 | 05 |
| 6212 | Dividend Credits/Deposits | 10 | 66 |
| 6214 | Unapplied Collections | 14 | 70 |
| 6419 | Face Amount | 51 | 68 |

*NOTE: If* clerically prepared input is processed to delete the master record, a *TV RPO will* not be received. *(RPO* reason code *DLT* will be generated.) When the *DLT RPO* is received, action will be taken to transfer the records. When clerically prepared input is required to delete the master record *(TB* batch number), the records for transfer will be routed through the Accounting Section, Finance [activity].

j. A temporary master record cannot be transferred tape-to-tape. The clerk will prepare the following inputs to delete the temporary master record:

(l) VA Form 29-5895a, transaction type 008, will be prepared to insert the diary message PENDINGS IN ARU. This will cause the system to delete all of the pending transactions.

(2) A VA Form 29-5895a, transaction type 098, will be prepared to delete the diary message.

(3) A VA Form 29-5897a, Accounting Control Input, transaction type 099 (reason code 07), will De prepared to delete the temporary master record. A DLT reason code RPO will be received.

(4) The pending transaction items will be received in the MASU and will consist of VA Forms 29-5954, Excess of 10 Pending Transaction Control Card, VA Forms 29-5954a, Excess of 10 Pending Transaction Work Card, and a listing in terminal digit order by insurance file number. Totals of the listing will be verified with the Accounting Section, Finance and Data Processing Division. The listing will be filed in the MASU by day number order.

(5) The VA Forms 29-5954, both money and non money items, and the transmittal sheet will be sent to the data processing center for gang-punching the DN (day number) disposed and disposal code F. A three-part listing of the cards will be prepared.

(6) Upon receipt of the listings, transmittal sheet, new VA Form 29-5954 and corresponding 5081 (stock cards), the totals on the listing and transmittal sheet will be verified. The original copy of the listing will be noted disposal code F and forwarded to the Accounting Section, Finance and Data Processing Division. Copy 1 of the listing will be noted with batch number TRB and filed in MASU by disposal day number order. Copy 2 of the listing will be cut after each file number and attached around the corresponding VA Forms 29-5954, 29-5954a, and 5081 cards.

(7) This type of transfer of records will be routed through the Accounting Section, Finance and Data $ Processing Division.

k. Prior to the transfer of any record, a search will be made for the following items which will be included in the transfer of records:

(1) Check the excess of 10 pending transactions, off-tape lien, liability and finance indebtedness files.

(2) Check for any Unassociated remittance which will be transferred under separate cover as outlined in chapter 21 of this manual.

l. The insurance folder and premium record cards will be requested and the following action taken:

(1) Prepare VA Form 07-7216, Request for and/or Notice of Transfer of Veterans Records, in quintuplet as follows:

(a) Item 1-Station name and number to which records are being transferred

(b) Items 2 through 7-Leave blank

(c) Item 8-File number

(d) Item 9A-Last name of insured

(e) Item 9B-First name of insured

(f) Item 9C-Middle initial or name



(g) Item 10-Type of folder

(h) Item 11-Type of transfer

(i) Item 12-Reason for transfer

(j) Items 13A through l3D-Leave blank

(k) Item 14-Remarks (items included in transfer)

(l) Items 15 and 16-Leave blank

(m) Item 17-Name of originating office and station number

(n) Item 18-Date form prepared.

NOTE: Four *copies of* VA Form Q4-721 6 *will be attached to the folder and one* copy *retained in the* MASU.

(2) A VA Form Q~~7264, Dummy Index Card, will be completed as follows:

(a) Insured's full name
(b) File number
(c) Social security number
(d) Other identifying numbers
(e) Transferred to

(3) A l0" x 15" plain manila envelope (transfer envelope) will be prepared. This will be a locally overprinted envelope with captions for the file number, insured's name and the address of the VA center to which the records are being transferred. The clerk will enter the insurance file number and the name of the insured.

(4) When the payment of premiums will be by deduction from benefit payments, allotment from service pay, service retirement pay or payroll deductions, a VA Form 29-5783, Notice of Transfer of National Service Life
*J* Insurance Records, will be released to the insured. For all other types of accounts, the insured will be notified by letter.

(5) When an application is received, such as conversion, change of plan, etc., and premiums are to be paid by allotment from service or retirement pay, deduction from VA benefits or payroll deduction, the application will be acknowledged and the veteran told of the reason for the transfer of records.

This will be accomplished by a locally overprinted letter and released at the time of transfer by the MASU.

22.04 PROCESSING BY THE RECEIVING OFFICE

a. When the tape-to-tape transfer or a clerical insert of a master record has been accomplished, the MASU will receive an RPO with reason code RV. The RV RPO will be held until the folder and associated records are received from the transferring office. When the records are received, the information contained on the RV and TV or DLT RPO's will be reviewed. If the master record was properly transferred, file the RPO's in the insurance folder.

b. When the input to insert the master record in the receiving office is rejected, an RPO with reason code 99A-XFTTR will be received. This will indicate a duplicate master record. When this occurs, request the transferring office to furnish a complete transaction history print and a record of the dividend payments made prior to 1964. When the TV RPO and records are received, a complete review will be made to adjust the master record. Adjustment of control accounts will be made by a memorandum to the Finance and Data Processing Division.





c. The Philadelphia office will receive a copy of the general ledger totals list for each office. This list will be used-by the Finance and Data Processing Division to reconcile all transfer actions.

d. When an account on which deduction is to be made from VA benefits is received, VA Form 29-5~26, Request for DFB Action, will be prepared for release to the Hines DPC, and VA Form 29-5707, Acknowledgment-Request for Deduction From Benefit Payments, will be prepared and sent to the insured.

22.05 TEMPORARY TRANSFER OF RECORDS

Procedures covering temporary transfer of insurance records are outlined in MP I, part I, chapter 14, paragraph 14.13.

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# CHAPTER 23. INCOMPETENT AND GUARDIANSHIP CASES

## 23.01 GENERAL

a. An incompetent person is one who has been adjudged by a court or held by a rating agency of the VA as being incapable of managing his own affairs.

b. An incompetent person does not necessarily have a guardian, but for insurance purposes those who have guardians may be deemed incompetent.

c. The Chief Attorney may authorize the payment of dividends or refunds to veterans rated incompetent if he feels that they can handle the amount payable with reasonable prudence.

## 23.02 FIDUCIARIES APPOINTED BY COURT ORDER

Legal guardians are responsible for the care and management of the person, or the estate of one legally considered incapable of managing his own affairs. They are appointed by a State court and certified as payee by the Chief Attorney. Depending on the State law, they are designated as:

a. Guardian.

b. Conservator.

c. Curator or Tutor.

d. Committee.

e. Trustee.

## 23.03 FEDERAL FIDUCIARIES

a. Federal fiduciaries are constituted under Federal law and empowered to administer only VA benefits and are accountable solely to the VA.

b. Federal fiduciaries are recognized by the Chief Attorney and are certified to receive certain payments and take certain actions on behalf of insureds for insurance purposes. They are designated as:

(1) Legal custodian.

(2) Wife-payee.

(3) Chief officer of an institution.

**(4)** Bonded officer of an Indian reservation.

(5) Custodian-in-fact.

23.04 REQUEST FOR INFORMATION, APPOINTMENT OR DISCHARGE OF FIDUCIARY

a. When **a** question arises **as** to the competence of the veteran, a VA Form 29-505, Request for Information, will be sent to the Adjudication Officer.

b. lf the question concerns the appointment or discharge of a fiduciary, the same form will be released to the Chief Attorney.





c. When asking for a fiduciary to be appointed so that a disbursement may be made, the following notation will be inserted in the blank block of item 9 of the form. AUTHORITY TO REFUND IF NO FIDUCIARY TO BE APPOINTED AT THIS TIME.

d. When an inquiry is to be made to the Chief Attorney, care will be taken to make sure that the request is directed to the proper Chief Attorney. The following guidelines will be used:

(l) If the payee is a custodian, the request will be directed to the Chief Attorney in the area where the custodian resides.

(2) If the payee is a court-appointed fiduciary, the request will be directed to the Chief Attorney in which the appointing court is located.

(3) If the payee is a wife-payee-to the Chief Attorney where the wife resides.

**(4) If** there is an institutional award and there is no guardian-to the Chief Attorney of the area in which the institution is located.

(5) If the payee is a foreign fiduciary-to the Chief Attorney, Veterans Benefits Office, Washington, D.C.

NOTE: Where the necessary fiduciary information is not received within 90 days from the date of request, the case will be referred to the Insurance Officer for such further action as he deems necessary.

23.05 ACCEPTABLE FORMS SHOWING INCOMPETENCY, APPOINTMENT OR DISCHARGE OF FIDUCIARY

a. The following forms are acceptable sources of incompetency or fiduciary information. Receipt of any of these or information contained in a letter and signed by the Chief Attorney are acceptable for recording on and/or deleting from the master record.

(1) VA Form 294347, Notification of Rating of Competency or Incompetency of Veteran, or of Appointment, Recognition, Change or Discharge of Fiduciary.

(2) VA Form 274358, Request by Chief Attorney for Insurance Information.

(3) VA Form 29-505, Request for Information.

**(4)** VA Form 27-555, Certificate of Legal Capacity to Receive and Disburse Benefits.

b. Letters of administration or copies of court orders received from fiduciaries, service organizations, etc., are not an acceptable basis for entry of the fiduciary information on the insurance master record. VA Form 29-505 will be prepared in these instances and forwarded with copies of the letters of administration, court orders or any other pertinent information to the Chief Attorney having jurisdiction, for confirmation. Fiduciary information will not be recorded on the basis of letters of administration or court orders until confirmed by the Chief Attorney.

## 23.06 INSERTING FIDUCIARY INFORMATION ON THE MASTER RECORD

a. When information concerning competency, appointment or discharge of fiduciary is received on the forms

listed in paragraph 23.05a, the following action will be taken:

(1) If the notice received states that the insured has been rated incompetent, but does not state that a fiduciary has been appointed, VA Form 29-5896a, Life Input, or VA Form 29-8530, Life/Miscellaneous,





transaction type 080, will be prepared to turn on the Incompetent indicator, and VA Form 29-5895a, Pending Transaction Input, transaction type 008, will be prepared to insert a 90 day diary with the message FID INFO and to freeze the record.

(2) If the notice states that the insured has been rated incompetent and a guardian or fiduciary has been appointed, a VA Form 29-5896a or 29-8530, transaction ape 080, will be prepared to turn on the Incompetent and Guardian Appointed indicators.

(3) Whenever an input document is prepared to turn the Guardian Appointed indicator on or off, both VA Form 29-5896a, Life Input, and VA Form 29-5891a, Address or Trailer Input, are required.

b. VA Form 29-5891a, transaction type 081, will be prepared to insert the name and address of the guardian as follows:

(1) If the fiduciary is a legal guardian as listed in paragraph 23.02, enter the name on the master record as JOHN SMITH GUARDIAN OF.

(2) In information received shows a Federal Fiduciary as listed in paragraph 23.03b, the name on the master record will be entered as follows:

(a) If custodian, JOHN SMITH CUSTODIAN OF.

(b) If wife-payee, MRS. MARY SMITH-WIFE-PAYEE OF.

(c) If

Director, VA Hospital, DIRECTOR VA HOSPITAL CUSTODIAN OF.

c. Whenever fiduciary information is recorded or changed on the master record, and there is a 712 or 748 waiver in force or pending, forward the information to the Insurance Claims Section.

d. When a form or letter signed by the [Veterans Services Officer] is received showing discharge of fiduciary or rating of competency, prepare the necessary input to change the master record. Insert the latest address of record for the insured. Release VA Form 29-505 to the regional office for a better address or additional fiduciary information when necessary.

23.07 DISBURSEMENT TO INCOMPETENT INSUREDS

a. Refunds **of** less than [$250] may be made on the basis of the latest fiduciary information of record. The computer system will automatically disburse payments to the legal guardian of an incompetent policyholder if the amount is less than [$250] and is not a Philippine account. The refund may be initiated without contacting the [Veterans Services Officer] providing guardianship is indicated on the master record, or one of the forms listed in paragraph 23.05a confirming guardianship is filed in the insurance folder.

b. When the dividend or refund for less than [$250] has been authorized, the computer system will generate an RPO, reason code 672. The policy service clerk will prepare a VA Form 29-504, Notice of Payment Due Incompetent Veteran, and forward it to the [Veterans Services Officer].

NOTE: A VA Form 29-504 will not be sent to the [Veterans Services Officer if the fiduciary is a court-appointed guardian.

c. Refunds of [$250] or more due an incompetent veteran will not be made until a current VA Form 27-555 or other certification by letter authorizing the specific pending action is received from the appropriate Veterans Services Officer. A current certification is one that is not over 6 months old. A VA Form 29-505 will be used to request such a certification.





d. After a current certification is received, the policy service clerk will prepare a VA Form 4-706, Notice of Refund, to authorize the payment.

NOTE: Refunds, regardless of the amount, on Philippine accounts must be addressed to the guardian in care of the [Veterans Services Officer, VA Regional Office, Manila, Philippines.

23.08 PENDING ACTIONS WHERE A QUESTION OF COMPETENCY EXISTS

a. When a question of competency is involved and there is a pending action, the case will be referred by a memorandum to the Insurance Claims Section for a decision.

b. The memorandum should include the type and amount of the pending disbursement or the nature of the application and the amount involved.

c. The insurance folder, current RPO and other pertinent material will accompany the memorandum.

d. The following examples are provided to help determine whether a memorandum should be prepared to obtain a competency decision:

(1) Examples of medical terms which do not indicate incompetency:

(a) Psycho neurosis.

(b) Anxiety reaction.

(c) Psycho physiological reaction.

(d) Personality disorder.

(e) Depressive action.

(f) Reactive depression.

(2) Examples of medical terms which indicate possible incompetency:

(a) Psychosis or psychotic reaction.

(b) Chronic brain syndrome.

(c) Mental deficiency.

(d) Schizophrenic reaction (dementia praecox).

(e) Paranoid state.

(f) Fugue state.

23.09 PROCESSING VA FORM 27-4358, REQUEST BY CHIEF ATTORNEY FOR INSURANCE INFORMATION

a. When VA Form 274358 is received in the Insurance Division, the policy service clerk will compare the name and address of the guardian or fiduciary with the one on the current RPO.

b. If different, VA Form 29-5891a, transaction type 081, will be prepared.



(2) Examples of medical terms which indicate possible incompetency:

(a) Psychosis or psychotic reaction.

(b) Chronic brain syndrome.

(c) Mental deficiency.

(d) Schizophrenic reaction (dementia praecox).

(e) Paranoid state.

(f) Fugue state.

23.09 PROCESSING VA FORM 27-4358, REQUEST BY [DISTRICT COUNSEL FOR INSURANCE INFORMATION

a. When VA Form 274358 is received in the Insurance Division, the Policy Service technician will compare the name and address of the guardian or fiduciary with the one on the current RPO.

b. lf different, VA Form 29-5891a, transaction type 081, will be prepared.

c. When there is no record of **an** application for section 712 or 748 waiver, part II of VA Form 274358, items 15 ~ through 22, will be completed and the original returned to the inquiring office. The duplicate or photocopy of the completed form will be filed in the insurance folder.

`i

d. If the insurance record shows an active section 712 or 748 waiver, or that there is an application for waiver, or that the waiver was terminated or disallowed, send the folder, RPO and VA Form 27-4358 to the Disability Determination Unit.

23.10 PROCESSING VA FORM 29-178, REQUEST FOR INSURANCE STATUS

a. When a VA Form 29-178 is received in duplicate from the Director of a VA [medical center] or VSO on behalf of an incompetent veteran, for information as to whether a claim for waiver of premiums or disability insurance benefits is of record or with the intent to file such claim if one has not already been filed, the form will be processed as follows:

(l) An RPO and the insurance folder will be requested.

(2) Upon receipt of all necessary records, parts II and III of the form will be completed.

(3) **If** an application for RH insurance is pending at the time, this information will be entered in [item] 13. The first block will be checked and RH Pending will be entered. The existing wording will be deleted.

-If a claim for waiver has been denied or is pending, send the case to the Insurance Claims Section which will supply the necessary information and file the duplicate in the [ j insurance [ ] folder.

(5)1 When the VA Form 29-178 is submitted in duplicate for the purpose of developing information for filing a claim for disability insurance benefits, take action as follows:

(a arts II and III will be completed and the original copy will be returned to the originating office.

(b) The duplicate VA Form 29-178 will be filed in the insurance folder.

## 23.11 PROCESSING OF CORRESPONDENCE

a. Inquiries submitted by a fiduciary of record, previously certified by a VSO, are routinely answered. If the inquiry by an alleged fiduciary is for information of a confidential nature not usually released to a third party, such as a beneficiary of record, it is acknowledged without supplying detailed information. The VSO will be requested to furnish a certification **of** the alleged appointment. A diary will be established on the master record to assure adequate followup. A complete answer will be furnished upon certification of the fiduciary.

b. Inquiries submitted by an incompetent veteran are diaried for a subsequent reply. A VA Fom~ 29-505 will be sent to the VSO requesting an appointment and/or certification of a fiduciary. When a fiduciary is already of record, or when certification is received, reply to the fiduciary. A photocopy of the incompetent veteran's inquiry will be furnished to the fiduciary.

c. Lapse notices are not released by the system when the master record indicates incompetency, guardianship or both. Instead, an RPO, reason code 570, is generated. If in order, a dictated lapse letter may be released. This will advise the fiduciary that though he or she may not reinstate the insurance, a reinstatement signed by the insured will be considered if supported by medical evidence of the veteran's capacity to understand the nature of his or her act. A similar response will be directed, when in order, to answer inquiries from a guardian regarding reinstatement.

## [23.12 SUPERVISED DIRECT PAY

a. Veterans on SDP (Supervised Direct Pay) are grouped into two categories:

(l) The first category is known as "temporary supervised direct pay" and includes individuals who receive only a portion of their compensation checks while being closely monitored by Veterans Services personnel. They remain in this category up ____ to **4** months. After the 4-month period, a decision must be made whether to place them on permanent direct pay status or reappoint a fiduciary.

(2) The second category is known as "permanent SDP" and includes individuals who have displayed a sufficient degree of prudence in handling their own affairs with only a minimum of supervision.

b. Although a veteran has to display sufficient signs of improvement to be considered for SDP, he!she is still considered to be incompetent.

c. When information is received that a veteran has been placed on SDP, the Policy Service technicians should prepare input to change the name and address fields and remove the guardian-appointed indicator from the master record. They should *not* remove the incompetency bit (see par. 23.06a(3)).

d. The Policy Service technician should correspond directly with these insureds in matters related to insurance, however, the insurance folder should be flashed that the insured is on SDP and copies of all correspondence should be sent to the VSO of jurisdiction.

e. lf an insured requests a loan or makes application for cash surrender, the Policy Service technician should refer the request to the Insurance Claims Section (297) for a determination of competency.

f. If a VA Form 29-336, Designation of Beneficiary and Optional Settlement, is received from the insured, the procedure outlined in chapter 15, paragraph 15.06, will be followed.]

| GENERAL LEDGER ACCOUNT NUMBER | NAME | NSLI DIVIDEND CONTROL ACCOUNT NUMBER |
|---|---|---|
| 4383 | 1983 | V Regular Annual 47 |
| 4383.3 | 1983 | V Regular Annual -01P 48 |
| 4583 | 1983 | Regular Annual (Except V) 47 |
| 4583.3 | 1983 Regular Annual - 01P (Except V) | 48 |
| 4384 | 1984 | V Regular Annual 49 |
| 4384.3 | 1984 | V Regular Annual - 01P 50 |
| 4584 | 1984 | Regular Annual (Except V) 49 |
| 4584.3 | 1984 Regular Annual - 01P (Except V) | 50 |
| 4351 | Dividends - Settlement (All Funds) | 43 |
| 4351.3 | Dividends Settlement - 01P (All Funds) | 44 |

b. In order to prevent cross actions, all punched card inputs using the existing dividend control account numbers must be delivered to the Input/0utput Section, DPC, by c.o.b. December 23, 1983. OCR documents using the existing dividend control account numbers must be inserted by c.o.b. December 28, 1983. The revised dividend control account numbers will be used on all inputs commencing December 30, 1983.

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

6. RESCISSION: VAC Circular 29-82-9 is rescinded effective December 30, 1983.

Director

DISTRIBUTION:
A-I
D-1
E- 1-2-3-5
1-2- 3-6-8-12-15-21-22-26-29-33
R-2-5

**VA** Regional Office and Insurance Center Circular 29-83-5
Philadelphia, PA December 27, 1983

DIVIDEND CONTROL ACCOUNT NUMBERS

I. ORGANIZATIONAL ELEMENTS AFFECTED: Insurance Operations Div. - VAROIC
Finance Division - VAROIC
Operations Division - VARDPC
Analysis and Control Div. - VARDPC

2. REFERENCE: N29-1, Part II, Chapter 24

3. PURPOSE: To confirm the necessary changes in the Dividend Control Account Numbers due to the payment of the 1984 dividends.

4. PROCEDURE:

a. Effective December 30, 1983, PDN 364/83, the dividend control account numbers will be changed as shown below:

NSLI

| GENERAL LEDGER ACCOUNT NUMBER | NAME | DIVIDEND CONTROL ACCOUNT NUMBER |
|---|---|---|
| 4331 | Special and Regular Annual 1948/1982 (V only) | 45 |
| 4331.3 | Special and Regular Annual 1948/1982 - O/P (V only) | 46 |
| 4531 | 1975/1982 Regular Annual (Except V) | 45 |
| 4531.3 | 1975/1982 Regular Annual - O/P (Except V) | 46 |

USGLI

| | | |
|---|---|---|
| 4332 | Special and Regular Annual 1921/1984 | 45 |
| 4332.3 | Special and Regular Annual 1921/1984 - O/P | 46 |

**A.** **Change:** **M29-1, Part** II, **Chapter 24. This advance manual change is issued to update the general ledger control accounting required to accomplish an inter-fund transfer of an amount or payment previously applied to premium.**

**B.** Procedure: Page 24-37, amend paragraph 24.07 as follows:

(1) Subparagraph 24.07(6), line 4 - Delete "or an amount of payment previously applied is being withdrawn and".

(2) Subparagraph 24.07(6)(c) - Under the Control Accounts Entries column, change DR 1-(3I) to read DR 1-(34).

C. New or Revised
Insurance Forms: None

PAUL F. KOONS
**Acting Assistant Director for Insurance**

DISTRIBUTION:

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

Regional
**VA Office and Insurance Center Circular 29-87-6**
Philadelphia, PA **December 14, 1987**

DIVIDEND CONTROL ACCOUNT NUMBERS

l.ORGANIZATIONAL ELEMENTS AFFECTED:

Insurance Operations **Div.** **- VAROIC**

Finance Division - VAROIC

Operations Division - VARDPC

Analysis and Control Div. **- VARDPC**

**2. REFERENCES: M29-l, Part II, Chapter 24**

3.PURPOSE: To confirm the necessary changes in the Dividend Control Account Numbers due to the payment o~ the 1988 dividends.

**4. PROCEDURE:**

a. Effective December 28, 1987, PDN 362/87, the dividend control account numbers will be change as shown below:

NSLI

**GENERAL LEDGER**

**DIVIDEND CONTROL**
**ACCOUNT NUMBER**

**NAME**

**ACCOUNT NUMBER**

| | | |
|---|---|---|
| Regular Annual | 4331 45 | Special and 1948/1986 (V only) |
| Regular Annual | 4331.3 46 | Special and 1948/1986 - O/P (V only) |
| Regular Annual | 4531 45 | 1975/1986 (Except V) |
| Regular Annual - | 4531.3 46 | 1975/1986 O/P (Except V) |

USGLI

| | | |
|---|---|---|
| Regular Annual | 4332 45 | Special and 1921/1988 |
| Regular Annual | 4332.3 46 | Special and |

**1921/1988 - O/P**

NSLI

| GENERAL LEDGER ACCOUNT NUMBER | NAME | DIVIDEND CONTROL ACCOUNT NUMBER |
|---|---|---|

| | | | |
|---|---|---|---|
| 4387 | 1987 | V Regular Annual | 47 |
| 4387.3 | 1987 | V Regular Annual - O/P | 48 |
| 4587 | 1987 | Regular Annual (Except V) | 47 |
| 4587.3 | 1987 | Regular Annual - O/P (Except V) | 48 |
| 4388 | 1988 | V Regular Annual | 49 |
| 4388.3 | 1988 | V Regular Annual - O/P | 50 |
| 4588 | 1988 | Regular Annual (Except V) | 49 |
| 4588.3 | 1988 | Regular Annual - O/P (Except V) | 50 |
| 4351 | | Dividends - Settlement (All Funds) | 43 |
| 4351.3 | | Dividends - Settlement - O/P (All Funds) | 44 |

**b. In order to prevent cross actions, all clerical input transactions using the existing dividend control account numbers must be inputted into the system (Run 140) by c.o.b. December 23, 1987. The revised dividend control account numbers will be used on all dividend control transactions commencing December 24, 1987.**

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

**6. RESCISSION: VAC Circular 29-86-3 is rescinded effective**

December 28, 1987.

**ROBERT W. CAREY**

**Director**

**DISTRIBUTIO**

**N:**

**A-I**
**D-l**
**D-l -2-3-5**
~ **F-l-2-3-6-8-12-**
**15-2l-22-26-29-33**
~ **R-2-5**
**5-1-2**
**T-l**

May 10,1971 **M29-I,**
**Part I**
Change

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CHAPTER 24. CONTROL ACCOUNTS


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| 24.08 | **VA Form** 29-1610, **Transfer Worksheet** | 24-39 |

## CHAPTER 24. CONTROL ACCOUNTS Change I

### 24.01 GENERAL

a. The purpose of this chapter is to outline the various internal and external controls which are used in the ADP system. These controls are provided to insure that all transactions (both externally initiated and internally generated) which affect the master record tape files are properly processed and accounted for from the time they are initially placed under control until final processing is completed.

b. Cash collection transactions (direct remittance and allotment/DFB loan-lien repayments) are controlled In the ADP system using predetermined item count and money amount totals.

c. Certain file maintenance transactions are also controlled outside the ADP system using general ledger debit and credit postings accumulated in run **140.**

d. Amounts which involve these accounts are initially posted outside the system as debits and credits to the general ledgers from various accounting control documents and listings. Input cards with contra debit and credit postings are prepared and processed in run **140** where the amounts are accumulated for posting to the general ledgers which offset the controlling amounts posted outside the system.

### 24.02 GENERAL LEDGER ACCOUNTING-ADP SYSTEM

a. General ledger account totals are accumulated by funds and appropriation by the ADP system for posting to the general ledgers. On cash collection transactions and internally generated transactions, the general ledger account totals are accumulated automatically by the program according to the transaction types. On clerically

_ prepared file maintenance transactions, the totals are accumulated according to the accounts and amounts debited and credited in the control account section of the input document. Generally, interfund and intrafund transfers are accomplished automatically by the system when only on-tape records are involved. When on-tape and off-tape records are involved in the accounting, VA Form **9-~6l0,** Transfer Worksheet, or VA FL **29-652, /** Off-Tape Adjustment of General Ledger Accounts, must be prepared outside the system to effect the transfer.

b. On clerically prepared file maintenance input documents, the general ledger accounts are debited and credited according to the effect of the transaction on the fund or appropriation:

Debit **to Increase-Credit to** Decrease

Asset Accounts
- Policy Loans-Basic Account (01)
- Policy Loans-Made Current Fiscal Year **(04)**
- Policy Liens-Basic Account **(05)**
- Policy Liens-Established Current Fiscal Year **(08)**

Expense Accounts
- Variance-Shortage **(29)**

Interest on Dividend Credits/Deposits **(40)**
Waivers 4l, 58, **59)**
Write-offs-Policy Liens **(42)**
**Dividends** (43, 44, 45, 46, 47, 48, 49, 50, 56, 57)
Surrender Values **(53, 54)**
Reserve Applied-Policy Surrendered for Paid-Up or Extended Insurance **(55)**



**Credit to Increase-Debit to Decrease**

Asset Accounts

**Cash Collections (02)** **Policy Loans-**

**Offsets (03)** **Policy Loans-**

**Cash Collections (06)** **Policy Liens-**

**Offsets (07)** **Policy Liens-**

**Debit to Decrease-Credit to increase**

Liability Accounts

**Checks and Payments Due (09)** **Undelivered**

**Credits/Deposits (10, 11)** **Dividend**

**Contracts Payable (13)** **Matured**

**Collections (l4,** 15, 16) **Unapplied**

**Collections (18, 19)** **Unassociated**

Income Accounts

**Policy Loans (22, 23)** **Interest on**

**Premiums in Arrears (24, 25)** **Interest on**

**Policy Liens (26, 27)** **Interest on**

**Overage (28, 30)** **Variance-**

**Premiums** (31,32,33)

**TDIP-Cash Collections** (35, 36) **Premiums-**

**Debit to Increase-Credit to Decrease**

Liability Accounts

**Dividend Credits/Deposits-Withdrawn or Applied (12)**

**Unapplied Collections-Withdrawn or Applied (17)**

**Unassociated Collections-Withdrawn or Applied (20)**

Income Accounts

**Premiums Refunded (34)**

**Premiums-TDIP-Refunded (37)**

The following miscellaneous accounts are used in the ADP system as holding or operating accounts:

Accountability (21)-a **general ledger account maintained to show the net worth resulting from the operations of each fund and appropriation (difference between assets-income and liabilities-expense). In the ADP system, it is used as a contra account when a basic account is debited or credited.**

Undistributed Insurance Collections **(38)-a general ledger holding account used to control cash collections in the ADP system. Generally, cash collections are credited to this account outside the system. The system automatically debits the account to clear it and credits an appropriate cash collection income account when processing the transaction. In order to effectively control cash collections, the following restrictions have been placed on the use of this account on clerically prepared file maintenance input documents:**

(l) Never *debit* this account. Use VA FL 29-652 for off-tape adjustment.
(2) A credit may be used *only* for an uncollectible remittance or **a** retroactive allotment/DFB discontinuance which was not reversed in run 170. When this is done, the contra debit *must* be to an appropriate cash collections account.





Miscellaneous Transaction Control (39)-a **general ledger holding account used to control two or more interrelated accounting transactions through the ADP system. When transactions are rejected which have MTC account entries, the rejected transactions are controlled by a debit or credit balance in the MTC account.**

Face Amount-Unpaid Matured Contracts and Transferred Accounts **(51) general ledger holding account used to show face values of matured policies at the time they are established as liabilities in the matured contracts payable account. The account is cleared, at the time the matured contract is paid, into a settlement account-installment or one sum.**

Undistributed Insurance Disbursements **(52~a general ledger holding account used mainly to control cash disbursements made**

**by the system and outside the system. (This account is also used to control amounts being transferred from tape to off-tape records.) The system automatically credits this account and debits an expense or asset account when making** a **cash disbursement. The account is cleared by a manually prepared disbursement voucher which debits the account and credits the cash account. When outside the system disbursements are made which affect master records on tape, the manually prepared disbursement voucher debits the UID account and credits the cash account. The UID account is then cleared by processing in the system a clerically prepared file maintenance transaction which credits the UID account and debits the appropriate expense account.**

24.03 CONTROL ACCOUNTS USED ON INPUT CARD DOCUMENTS

*a. When an accounting action is taken in connection with the insertion of a master record or the changing of an existing master record, complete the control account fields of one or more of the inputs listed below. The number of inputs prepared depends on the number of general ledger accounts involved in* ***a*** *particular transaction. The second control account field of VA Form* ***29-5893a*** *is used for premium interest adjustment only. The second control account field of the VA Form* ***29-5894a*** *is used for adjustment on loan, lien, and/or dividend credit/deposit interest.*

(l) VA Form **29-394,** Dividend Transaction Input Card.
**(2)** VA Form **29-5893a,** Premium Input Card-ADP.
**(3)** VA Form **29-5894a,** Optional Segment Input Card-ADP.
**(4)** **VA** Form **29-5894b,** TDIP Input Card Only-ADP.
**(5)** VA Form **29-5895a,** Pending Transaction Input Card-ADP.
**(6)** VA Form **29-5897a,** Accounting Control Input Card-ADP.
(7) VA Form **29-8328,** Liability Account Input Card.

b. General ledger accounts relating directly to VA Form **29-394** are listed below. Adjustments in these general ledger accounts are always reflected in the control field indicated on the VA Form **29-394.**

Account Number title

43 **Dividends-Settlement 44 Dividends-Settlement-Overpayments**

45 **Dividends-NSLI-Special and Regular-Annual-All Other (except RS/W Special)-Includes USGLI**

46 **Dividends-NSLI-Special and Regular-Annual-All Other-Overpayments (except RS/W Special)-Includes USGLI**

47 **Dividends-NSLI-(Prior Year)-Regular-Annual**
48 **Dividends-NSLI-(Prior Year)-Regular-Annual-Overpayments**
49 **Dividends-NSLI Current Year)-Regular-Annual**
**so Dividends-NSLI-(Current Year)-Regular-Annual-Overpayments**
56 **Dividend I9_ Special**
57 **Dividend I9_ Special-Overpayment**

**Change 1**

**The** following general **ledger** accounts are used contra to the above:

| **Account** Number | **Title** |
|---|---|
| 09 | Undelivered Checks and Payments Due |
| 39 | Miscellaneous Transaction Control |
| 52 | Undistributed Insurance Disbursements |

c. General ledger accounts relating directly to VA Form 29-5893a are listed below. Adjustments to these general ledger accounts are reflected in the control account fields of VA Form 29-5893a as indicated.

| Account **Number** | **Title** | **Field Used** |
|---|---|---|
| **31** | Premiums-Cash Collections | First |
| 32 | Premiums-Offsets | First |
| **33** | Premiums-Purchase of Extended or Paid-Up Insurance | First |
| 34 | Premiums-Refunded or Transferred | First |
| 24 | Interest on Premiums in Arrears-Cash Collections | Second |
| 25 | Interest on Premiums in Arrears-Offsets | Second |

**The** following general ledger accounts are used contra to the above:

| Account **Number** | **Title** |
|---|---|
| 20 | Unassociated Collections-Withdrawn or Applied |
| 38 | Undistributed Insurance Collections |
| 39 | Miscellaneous Transaction Control |
| 52 | Undistributed Insurance Disbursements |
| **53** | Surrender Values |
| **55** | Reserve Applied-Surrender for Paid-Up or Extended Insurance |
| 58 | Waivers-Premiums |
| 59 | Waivers-Premiums Reimbursable |

d. General ledger accounts relating directly to VA Form 29-5894a are listed below. Adjustments in these general ledger accounts are always reflected in the control field indicated on the VA Form 29-5894a.

(I) When preparing VA Form 29-5894a for file maintenance operations, and interest adjustments are required which increase or decrease loan, lien, or dividend credit/deposit balances, the general rule is to debit or credit the same general ledger accounts used to capitalize interest:

| **ADP Account** Number | Account |
|---|---|

04 Policy Loans-Made Current Fiscal Year
08 Policy Liens-Established Current Fiscal Year
II Dividend Credits/Deposits-Established Current Fiscal Year



***(2)*** *In following this rule, when making an interest adjustment at the same time another action is taken which also increases or decreases the controlled account balance, it would normally be necessary to prepare two VA Forms* ***29-5894a,*** *since different accounts are used for the change in balance.*

***(a)*** ***In*** *order to reduce the number of input cards, one VA Form* ***29-5894a*** *may be prepared and interest adjustment made using the general ledger account that is used for the other action being taken, provided a cash collections account is not used for the other action. (If the other account is a cash collections account, it will be necessary to prepare two VA Forms* ***29-5894a,*** *one to adjust the balance using the cash collections account and one to adjust the balance using the interest capitalization account.)*

*(b) For example, a $10 loan repayment pending transaction in the same fund as the loan and postmarked after the loan interest capitalization date and before the loan anniversary date, is being applied to reduce the loan balance. One VA Form* ***29-5894a*** *may be prepared to reduce the loan balance for the amount of the payment and also for the interest*

*adjustment using the following entries in the control account sections of the VA Form **29-5894a:***

V Fund-DRMTC(39) $10.10
V Fund-CR Policy Loans-Offsets (03) 10.10
**V Fund-DR Interest on Policy Loans-Offsets** (23) **.10**
**V Fund-CR MTC** (39) **.10**

**If** a **loan repayment pending transaction is in a different fund than the loan, two VA Forms** 29-5894a **are necessary since the cash collections account must be used for the amount of the repayment and** a **noncash collections account must be used for the amount of the interest adjustment:**

First **VA** Form **29~894a**
RS Fund-DRMTC **(39)**$10.00
V Fund-CR Policy Loans-Cash Collections (02) 10.00

Second **VA** Form **29-58 94a**
V Fund-DR MTC **(39)** .10
V Fund-CR Policy Loans-Made Current Fiscal Year (04) .10
V Fund-DR Interest on Policy Loans-Offsets **(23)** .10
V Fund-CR MTC(39) .10

(c) **Loans**

| Account **Number** | **Title** | **Field Used** |
|---|---|---|
| **01** | Policy Loans-Basic Account | First |
| 02 | Policy Loans-Cash Collections | First |
| 03 | Policy Loans-Offsets | First |
| 04 | Policy Loans-Made Current Fiscal Year | First |
| **22** | Interest on Policy Loans-Cash Collections | Second |
| **23** | Interest on Policy Loans-Offsets | Second |





The following general ledger accounts are used contra to the above: **Account**
**Number** **Title**

| | |
|---|---|
| 20 | Unassociated Collections-Withdrawn or Applied |
| 21 | Accountability |
| 28 | Variance-Overage -Cash Collections |
| 29 | Variance-Shortage |
| 30 | Variance-Overage-Offsets |
| 38 | Undistributed Insurance Collections |
| 39 | Miscellaneous Transaction Control |
| 52 | Undistributed Insurance Disbursements |
| **63** | Policy Loans-Received From Other Stations |

(d) **Liens**

| Account **Number** | **Title** | **Field Used** | |
|---|---|---|---|
| **05** | Policy Liens-Basic Account | First | |
| 06 | Policy Liens-Cash Collections | First | |
| 07 | Policy Liens-Offsets | First | |
| 08 | Policy Liens-Established Current Fiscal Year | | First |
| 26 | Interest on Policy Liens-Cash Collections | | Second |
| 27 | Interest on Policy Liens-Offsets | Second | |

The following general ledger accounts are used contra to the above: **Account**

| **Number** | **Title** |
|---|---|
| 20 | Unassociated Collections-Withdrawn or Applied |
| 21 | Accountability |
| 28 | Variance-Overage -Cash Collections |
| 29 | Variance-Shortage |
| 30 | Variance-Overage-Offsets |
| 38 | Undistributed Insurance Collections |
| 39 | Miscellaneous Transaction Control |
| 41 | Waivers-Receivables and Liens |
| 42 | Write-offs-Policy Liens |
| 52 | Undistributed Insurance Disbursements |
| 54 | Surrender Values-Overpayments |
| **65** | Policy Liens-Received From Other Stations |

(e) **Dividend Credits/Deposits**

| Account **Number** | **Title** | **Field Used** | |
|---|---|---|---|
| **10** | Dividend Credits/Deposits-Basic Account | First | |
| II | Dividend Credits/Deposits-Established Current Fiscal Year | | First |
| 12 | Dividend Credits/Deposits-Withdrawn or Applied | First | |
| 40 | Interest on Dividend Credits/Deposits | Second | |

The following general ledger accounts are used contra to the above:

| Account Number | Title |
|---|---|
| **20** | Unassociated Collections-Withdrawn or Applied |
| 21 | Accountability |
| 39 | Miscellaneous Transaction Control |
| **52** | Undistributed Insurance Disbursements |
| **67** | Dividend Credits/Deposits-Received From Other Stations |

e. The following general ledger accounts relating directly to VA Form **29-5894b** are listed below. Adjustments in these general ledger accounts are always reflected in the first control account field on the VA Form **29-5894b.**

| Account **Number** | **Title** |
|---|---|
| **35** | Premiums-TDIP-Cash Collections |
| **36** | Premiums-TDIP-Offsets |
| **37** | Premiums-TDIP-Refunded |

The following general ledger accounts are used contra to the above:

| Account Number | Title |
|---|---|
| **20** | Unassociated Collections-Withdrawn or Applied |
| **38** | Undistributed Insurance Collections |
| 39 | Miscellaneous Transaction Control |
| **52** | Undistributed Insurance Disbursements |

f. General ledger accounts relating directly to VA Form **29-5895a** are listed below. Adjustments in these general ledger accounts are always reflected in the control account field on the VA Form **29-5895a.**

| Account **Number** | **Title** |
|---|---|
| **14** | Unapplied Collections-Basic Account |
| 15 | Unapplied Collections-Cash Collections |
| 16 | Unapplied Collections-Offsets |
| 17 | Unapplied Collections-Withdrawn or Applied |

The following general ledger accounts are used contra to the above:

| Account Number | Title |
|---|---|

**20** Unassociated Collections-Withdrawn or Applied
21 Accountability
**38** Undistributed Insurance Collections
**39** Miscellaneous Transaction Control
**52** Undistributed Insurance Disbursements

**A**

24-7



g. Under normal conditions, accounting actions not related to the premium or optional segment of the master record are made on VA Form 29-5897a. A cash collections account may not be used on VA Form 29-5897a and the total debit amounts must always equal the credit amounts. When control accounting required cannot be accomplished on one VA Form 29-5897a, prepare an additional form. When preparing VA Form 29-5897a, the debit items will be entered first, followed by the credit entries. The number of debits will be entered in block 30 on the form.

(1) Cases involving total cash surrenders, matured endowments or death settlements will show transaction type 089 (miscellaneous accounting) and reason code 07 (miscellaneous) on the first form. The second form will show transaction type 099 (accounting and delete record) and reason code 02 (cash surrender), 03 (matured endowment), or 04 (XC).

(2) The Surrender Values account **(53),** Face Amount-Unpaid Matured Contracts and transferred accounts (51), and Matured Contracts Payable account (13) are always shown on the VA Form 29-5897a using transaction type 099 and reason code 02, 03, or 04.

*NOTE: Accounts 13 and 51 must be assigned XB batch number*

***(3)*** *When processing other actions requiring two VA Forms 29-5897a on* ***a*** *case involving transaction type 079 (voucher cancellation) or 089 (miscellaneous accounting action), both forms may be released on the same day, showing identical transaction types and reason codes.*

*(4) The control accounts shown on VA Form 29-5897a are listed below:*

Account

**Number** **Title**

| | |
|---|---|
| 09 | Undelivered Checks and Payments Due |
| 13 | Matured Contracts Payable w |
| 20 | Unassociated Collections-Withdrawn or Applied |
| 21 | Accountability |
| 23 | Interest on Policy Loans-Offsets |
| 27 | Interest on Policy Liens-Offsets |
| 29 | Variance-Shortage |
| 30 | Variance-Overage-Offsets |
| 32 | Premiums-Offsets |
| **33** | Premiums-Purchase of Extended or Paid-Up Insurance |
| 34 | Premiums-Refunded |
| **36** | Premiums-TDIP-Offsets |
| 37 | Premiums-TDIP-Refunded |
| 39 | Miscellaneous Transaction Control |
| 40 | Interest on Dividend Credits/Deposits |
| 51 | Face Amount-Unpaid Matured Contracts and Transferred Accounts |
| 52 | Undistributed Insurance Disbursements |
| 53 | Surrender Values |
| **55** | Reserve Applied-Policy Surrendered for Paid-Up or Extended Insurance |
| 69 | Face Amount-Received From Other Stations |

**24.04**CONTROL ACCOUNTS USED ON OCR DOCUMENTS

a. When an accounting action is taken in connection with the insertion of **a** master record or the changing of an existing master record, complete the control account fields of one or more of the input listed below. The number of input prepared depends on the number of general ledger accounts involved in **a** particular transaction.





The second control account field of VA Form **29-8523(03)** is used only for premium interest adjustment. The second control account field of VA Form **29-8525(05)** is used for adjustment on loan, lien and/or dividend credit/deposit interest.

**(I)** **VA Form** 29-8523(03), **Premium/TDIP**

(2) **VA Form** 29-8525(05), **Dividend-Loan-Lien**

(3) **VA Form** 29-8526(06), **Pending Transaction**

(4) **VA Form** 29-8527(07), **Accounting Control**

(5) **VA Form** 29-8528(08), **Paid Dividend/Dividend History**

(6) **VA Form 29-8531(11),TDIP**

b. General ledger accounts relating directly to VA Form **29-8523(03),** are listed below. This form is used to update or downdate the premium and/or TDIP segment. One pending transaction type **609** or one in the 200 or 400 series only may be *deleted* by use of this document. Adjustments to these general ledger accounts are reflected in the control account fields as indicated.

| Account Number | Title | Field Used |
|---|---|---|
| **15** | **Unapplied Collections-Cash Collections** | **First** |
| **17** | **Unapplied Collections-Withdrawn or Applied** | **First** |
| **31** | **Premiums-Cash Collections** | **First** |
| 32 | **Premiums-Offsets** | **First** |
| 33 | **Premiums-Purchase of Extended or Paid-Up Insurance** | **First** |
| 34 | **Premiums-Refunded** | **First** |
| 35 | **Premiums-TDIP-Cash Collections** | **First** |
| 36 | **Premiums-TDIP-Offsets** | **First** |
| **,5** | | |
| 37 | **Premiums-TDIP-Refunded (to delete** a **pending transaction)** | **First** |
| 24 | **Interest on Premiums in Arrears-Cash Collections** | **Second** |
| 25 | **Interest on Premiums in Arrears-Offsets** | **Second** |

The following general ledger accounts are used contra to the above:

| Account Number | Title |
|---|---|

| | |
|---|---|
| 20 | **Unassociated Collections-Withdrawn or Applied** |
| 38 | **Undistributed Insurance Collections** |
| 39 | **Miscellaneous Transaction Control** |
| 52 | **Undistributed Insurance Disbursements** |
| 53 | **Surrender Values** |
| 55 | **Reserve Applied-Policy Surrendered for Paid-Up or Extended Insurance** |
| 58 | **Waivers-Premiums** |
| 59 | **Waivers-Premiums Reimbursable** |

c. General ledger accounts relating directly to VA Form **29-8525(05)** are listed below. This form is used to insert or change the loan, lien, dividend credit or dividend deposit segments. Also, one pending transaction in the 200, 300, 400 series or **609** or **978 diary** without a diary message may be inserted, changed or deleted by use of this document.





(I) When interest adjustments are required which increase or decrease loan, lien or dividend/credit/deposit balances, the general rule is to debit or credit the same general ledger accounts used to capitalize interest:

| ADP Account **Number** | **Title** |
|---|---|
| 04 | Policy Loans-Made Current Fiscal Year |
| 08 | Policy Liens-Established Current Fiscal Year |
| II | Dividend Credits/Deposits Established Current Fiscal Year |

(2) In following this rule, when making an interest adjustment at the same time another action is taken which also increases or decreases the controlled account balance, it would normally be necessary to prepare two VA Forms 29.8525(05) since different accounts are used for the change in balance.

***(a)*** *In order to reduce the number of input documents, one VA Form 29.8525(05) may be prepared and interest adjustment made using the same general ledger account*

*that is used for the other action. If the other account is a cash collections account, it will be necessary to prepare two VA Forms 29.5825(05), one to adjust the balance using the cash collections account and one to adjust the balance using the interest capitalization account.*

***(b)*** *If a loan repayment pending transaction is in a different fund than the loan, two VA Forms 29.8525(05) are necessary since the cash collections account must be used for the amount of the repayment and* ***a*** *noncash account must be used for the amount of the interest adjustment.*

(c) **Loans**

| Account Number | Title | Field Used | |
|---|---|---|---|
| | 01 | Policy Loans-Basic Account First | |
| | 02 | Policy Loans-Cash Collections First | |
| | 03 | Policy Loans-Offsets First | |
| | 04 | Policy Loans-Made Current Fiscal Year | First |
| | 22 | Interest on Policy Loans-Cash Collections | Second |
| | 23 | Interest on Policy Loans-Offsets Second | |

The following general ledger accounts are used contra to the above:

| Account Number | Title |
|---|---|
| | 20 Unassociated Collections-Withdrawn or Applied |
| | 21 Accountability |
| | 28 Variance-Overage-Cash Collections |
| | 29 Variance-Shortage |
| | 30 Variance-Overage-Offsets |
| | 38 Undistributed Insurance Collections |
| | 39 Miscellaneous Transaction Control |
| | 52 Undistributed Insurance Disbursements |
| | **63** Policy Loans-Received From Other Stations |

**(d)** Liens

| Account Number | Title | Field Used |
|---|---|---|
| **05** | Policy Liens-Basic Account | First |
| 06 | Policy Liens-Cash Collections | First |
| 07 | Policy Liens-Offsets | First |
| 08 | Policy Liens-Established Current Fiscal Year | First |
| **26** | Interest on Policy Liens-Cash Collections | Second |
| **27** | Interest on Policy Liens-Offsets | Second |

The following general ledger accounts are used contra to the above:

| Account Number | Title |
|---|---|
| **20** | Unassociated Collections-Withdrawn or Applied |
| 21 | Accountability |
| **28** | Variance-Overage-Cash Collections |
| **29** | Variance-Shortage |
| 30 | Variance-Overage-Offsets |
| **38** | Undistributed Insurance Collections |
| 39 | Miscellaneous Transaction Control |
| 41 | Waivers-Receivables and Liens |
| **42** | Write-offs-Policy Liens |
| **52** | Undistributed Insurance Disbursements |
| **54** | Surrender Values-Overpayments |
| **65** | Policy Liens-Received From Other Stations |

(e) **Dividend Credits/Deposits**

| Account Number | Title | Field Used |
|---|---|---|
| 10 | Dividend Credits/Deposits-Basic Account | First |
| 11 | Dividend Credits/Deposits-Established Current Fiscal Year | First |
| 12 | Dividend Credits/Deposits-Withdrawn or Applied | First |
| 40 | Interest on Dividend Credits/Deposits | Second |

The following general ledger accounts are used contra to the above: **Account**

| Number | Title |
|---|---|
| **20** | Unassociated Collections-Withdrawn or Applied |
| 21 | Accountability |
| **39** | Miscellaneous Transaction Control |
| **52** | Undistributed Insurance Disbursements |
| 67 | Dividend Credits/Deposits Received From Other Stations |

(i) General ledger accounts directly related to VA Form 29-8525(05), for the deletion or insertion of **a** pending transaction in the 200, 300, 400 series or 609, are listed below:

| Account Number | Title |
|---|---|
| 14 | Unapplied Collections-Basic Account |
| 15 | Unapplied Collections-Cash Collections |
| 16 | Unapplied Collections-Offsets |
| 17 | Unapplied Collections-Withdrawn or Applied |

The following general ledger accounts are used contra to the above:

| Account Number | Title |
|---|---|
| 20 | Unassociated Collections-Withdrawn or Applied |
| 21 | Accountability |
| 38 | Undistributed Insurance Collections |
| 39 | Miscellaneous Transaction Control |
| 52 | Undistributed Insurance Disbursements |

d. General ledger accounts relating directly to VA Form 29.8526(06) are listed below. This form is used to insert, change, and/or delete items on or from the pending transaction tape. The control accounts directly related to this form are also listed:

| Account Number | Title |
|---|---|
| **14** | Unapplied Collections-Basic Account |
| 15 | Unapplied Collections-Cash Collections |
| 16 | Unapplied Collections-Offsets |
| 17 | Unapplied Collections-Withdrawn or Applied |

The following general ledger accounts are used contra to the above:

| Account Number | Title |
|---|---|
| 20 | Unassociated Collections-Withdrawn or Applied |
| 21 | Accountability |
| 38 | Undistributed Insurance Collections |
| 39 | Miscellaneous Transaction Control |
| **52** | Undistributed Insurance Disbursements |

e. General ledger accounts relating directly to VA Form 29-8527(07), are listed below. This form is used to provide control accounts information and delete individual policies from the master record. The control accounts shown on this form **are** also listed:

| Account Number | Title |
|---|---|
| 09 | Undelivered Checks and Payments Due |
| 13 | Matured Contracts Payable |
| 20 | Unassociated Collections-Withdrawn or Applied |





| Account Number | Title |
|---|---|
| 21 | Accountability |
| 23 | Interest on Policy Loans-Offsets |
| 27 | Interest on Policy Liens-Offsets |
| 29 | Variance-Shortage |
| 30 | Variance-Overage-Offsets |
| 32 | Premiums-Offsets |
| 33 | Premiums-Purchase of Extended or Paid-Up Insurance |
| 34 | Premiums-Refunded |
| 36 | Premiums-TDIP-Offsets |
| 37 | Premiums-TDIP-Refunded |
| 39 | Miscellaneous Transaction Control |
| 40 | Interest on Dividend Credits/Deposits |
| 51 | Face Amount-Unpaid Matured Contracts and Transferred Accounts |
| 52 | Undistributed Insurance Disbursements |
| 53 | Surrender Values |
| 55 | Reserve Applied-Policy Surrendered for Paid-Up or Extended Insurance |

**69** Face Amount-Received From Other Stations

f. General ledger accounts relating directly to VA Form **29-8528(08)** are listed below. This form is used to manually authorize a dividend, insert a pending dividend transaction for payment at **a** future date, or reverse all or part of a prior paid dividend. It is also used to insert a paid dividend information segment on the master record.

*A*

**Account**

**Number**

**Title**

**43** Dividends-Settlement

**44** Dividends-Settlement-Overpayments

**45** Dividends-NSLI-Special and Regular-Annual-All Other (except RS/W Special)-Includes USGLI

**46** Dividends-NSLI-Special and Regular-Annual-All Other Overpayments (except RS/W Special)-Includes USGLI

47 Dividends-NSLI-(Prior Year)-Regular-Annual

**48** Dividends-NSLI Prior Year)-Regular-Annual-Overpayments

**49** Dividends-NSLI Current Year)-Regular-Annual

50 Dividends-NSLI-(Current Year)-Regular-Annual-Overpayments

**56** Dividends 19 Special **(1963** Special and RS/W Special)

57 Dividends 19 Special Overpayment **(1963** Special and RS/W Special)

g. General ledger accounts relating directly to VA Form **29-8531(11)** are listed below. This form is used to change, insert or delete **data** in the TDIP segment of the master record. It is also used to insert, change or delete an item on the pending transaction tape. The control accounts directly related to this form are also listed:

**Account**

**Number**

**Title**

| | |
|---|---|
| **14** | Unapplied Collections-Basic Account |
| 15 | Unapplied Collections-Cash Collections |
| 16 | Unapplied Collections-Offsets |
| 17 | Unapplied Collections-Withdrawn or Applied |
| **35** | Premiums-TDIP-Cash Collections |
| **36** | Premiums-TDIP-Offsets |
| 37 | Premiums-TDIP-Refunded |



The following general ledger accounts are used contra to the above:

| Account **Number** | **Title** |
|---|---|
| 20 | Unassociated Collections-Withdrawn or Applied |
| 21 | Accountability |
| 38 | Undistributed Insurance Collections |
| 39 | Miscellaneous Transaction Control |
| **52** | Undistributed Insurance Disbursements |

**24.05 GENERAL LEDGER ADP** ACCOUNT NUMBERS

**a.** The general ledger accounts used in preparing file maintenance input documents are listed below in ADP account number order. The corresponding general ledger account number is also shown as a cross-reference.

| **General Ledger Account Number** | **Account Name** | ADP **Account Number** |
|---|---|---|

| | | | |
|---|---|---|---|
| 1142.00 | Policy Loans-Basic Account | 0I~ | |
| I 142.2(Y | Policy Loans-Cash Collections | 02' | |
| I 142.30/ | Policy Loans-Offsets | **03i** | |
| 1142.90' | Policy Loans-Made Current Fiscal Year | | 04J |
| 1271.00' | Policy Liens-Basic Account | **05-** | |
| 1271.20' | Policy Liens-Cash Collections | **06.'** | |
| | Policy Liens-Offsets | 07~ | |
| 1271.90' | Policy Liens-Established Current Fiscal Year | | 08 ____ |
| 2025.10' | Undelivered Checks and Payments Due-Liability, ADP Intersystem Transfers | | |
| 09 J | | | |
| 2032.00' | Dividend Credits/Deposits-Basic Account | | Ion |
| 2032.30 ~ | Dividend Credits/Deposits-Established Current Fiscal Year | | I I |
| 2032.90' | Dividend Credits/Deposits-Withdrawn or Applied | | 12" |
| 2063.00~ | Matured Contracts Payable | **13**i | |
| 2064.00' | Unapplied Collections-Basic Account | | I4~ |
| 2064.2~ | Unapplied Collections-Cash Collections | | IS' |
| 2064.30~' | Unapplied Collections-Offsets | **16'** | |
| 2064.90 | Unapplied Collections-Withdrawn or Applied | | 17' |
| 2065.20' | Unassociated Collections-Cash Collections | | 18' |
| **2065.30 ~** | Unassociated Collections-Offsets | 19' | |
| 2065.90' | Unassociated Collections-Withdrawn or Applied | | 20 |
| 2247.00' | Accountability | 2I~ | |
| 3214.20' | Interest on Policy Loans-Cash Collections | | 22 |
| **3214.30** | Interest on Policy Loans-Offsets | 23 | |
| 3216.20' | Interest on Premiums in Arrears-Cash Collections | | 24 |
| **3216.30'** | Interest on Premiums in Arrears-Offsets | | **25~** |
| 3217.20 *i* | Interest on Policy Liens-Cash Collections | | **26'** |
| 32I7.30~ | Interest on Policy Liens-Offsets | 27', | |
| 3224.20 ~ | Variance-Overage-Cash Collections | | 28' |
| 3224.90 | Variance-Shortage | 29' | |
| 3224.30' | Variance -Overage -Offsets | **30** | |
| 3561.20 | Premiums-Cash Collections | **31~'** | |
| **3561.30'** | Premiums-Offsets | **32"** | |
| **3561.40** | Premiums-Purchase Extended or Paid-Up Insurance | | **33** |
| **3561.90'** | Premiums-Refunded | **34"** | |
| **3562.20'** | Premiums-TDIP-Cash Collections | **336~~** | |
| **3562 .30** | Premiums-TDIP-Offsets | | |



| ADP **General Ledger Account Account Number Name** | **Number** | | **Account** |
|---|---|---|---|
| **3562.90** | Premiums-TDIP-Refunded | | 37 ~ |
| **3569** 00 | Undistributed Insurance Collections | | **38~~** |

| | |
|---|---|
| **3571** 00 | Miscellaneous Transaction Control |
| **39v,** | |
| 4053.00 | Interest on Dividend Credits/Deposits |
| **40***v* | |
| 42l5.00 | Waivers-Receivables and Liens |
| 41~ | |
| **4252.00** | Write-offs-Policy Liens |
| **42** | |
| **4351.00** | Dividends-Settlement |
| **43\/,** | |
| **4351.30** | Dividends-Settlement-Overpayments |
| **44** *v* | |
| 4331.00 | Dividends-NSLI-Special and Regular-Annual Ml Other (except RS/W Special) |
| **45***i* | |
| **4332.00** | Dividends-USGLI-Regular Annual |
| **45~** | |
| **4331.30** | Dividends-NSLI-Special and Regular-Annual Ml Other Overpayments (except RS/W Special) |
| **46'** | |
| **4332.30** | Dividends-USGLI-Regular Annual Overpayments |
| **46 ~** | |
| **4369.00** | Dividends NSLI (Year) Regular Annual (Prior Year) |
| **47~***v* | |
| **4369.30** | Dividends NSLI (Year) Regular Annual Overpayments (Prior Year) |
| **48 ~** | |
| 4370.00 | Dividends NSLI (Year) Regular Annual NSLI (Current Year) |
| **49 /** | |
| 4370.30 | Dividends NSLI (Year) Regular Annual NSLI (Current Year) Overpayments |
| 50 ~ | |
| **4639.00** | Face Amount-Unpaid Matured Contracts and Transferred Accounts |
| 51 | |
| **4669.00** | Undistributed Insurance Disbursements |
| **52** | |
| **4755.00** | Surrender Values |
| **53** | |
| **4755 30** | Surrender Values-Overpayments (Liens) |
| 54 | |
| **4756.00** | Reserve Applied-Policy Surrendered for Paid-Up or Extended Insurance |
| **55 /** | |
| | Dividends 19 Special |
| **56'** | |
| **4314.30** | Dividends 19 Special Overpayment |
| **57** | |
| **4216.00** | Waivers-Premiums |
| **58'** | |
| 4217.00 | Waivers-Premiums-Reimbursable |
| **59~** | |
| 6112 00 | Policy Loans-Transferred to Other Stations |
| **62 ~** | |
| | Policy Loans-Received From Other Stations |
| **63~** | |
| 6131.00 | Policy Liens-Transferred to Other Stations |
| 64~ | |
| 6141.00 | Policy Liens-Received From Other Stations |
| **65** | |

| | |
|---|---|
| | Dividend Credits/Deposits-Transferred to Other Stations |
| **66** | |
| **6222.00** | Dividend Credits/Deposits-Received From Other Stations |
| 67 | |
| **6429.00** | Face Amount Transfers-Transferred to Other Stations |
| **68** | |
| 6429.00 | Face Amount Transfers-Received From Other Stations |
| **69** | |
| **6214.00** | Unapplied Collections-Transferred to Other Stations |
| 70 | |
| **6224.00** | Unapplied Collections-Received From Other Stations |
| 71 | |





**24.06 GUIDE** FOR MAINTENANCE OF GENERAL LEDGER ACCOUNTS

The following outline identifies the conditions under which each general ledger account and contra account **Is** used, the debit or credit action required, and the input used with each condition:

ACCOUNTABILITY-(21)

| DEBIT | CREDIT |
|---|---|
| a. When a basic account is credited. | a. When **a** basic account is debited. |
| Contra Account-credit Dividend Credits and De-Account posits-Basic Account (10). | Contra accounts-debit Policy Loans-Basic (01) or Policy Liens-Basic Account (05). |

**Forms Used:**
**VA Forms 29-5894a**



**DIVIDEND** CREDITS AND DEPOSITS-BASIC **ACCOUNT-(10)**

| DEBIT | CREDIT |
| --- | --- |
| a. When **a** dividend credit or deposit is transferred to. another office. | When dividend credit or deposit is transferred from off-tape file. |
| b. When it is necessary to reverse any of the credit actions of | b. When dividend credit or deposit is received from another office. |
| Contra account-credit Accountability (21). | c. When **a** dividend credit or deposit is Discovered which was Lost **at** the time the accounts were placed under general ledger control. |
| Forms Used:<br>VA Forms 29-5894a, Blocks **53-64** only.<br>29-8525(05) | Contra account-debit Accountability (21). |

DIVIDEND CREDITS AND DEPOSITS-ESTABLISHED **CURRENT** FISCAL YEAR-(II)

| DEBIT | CREDIT |
| --- | --- |
| **a.** When it is necessary to reverse any of the credit actions. | a. When dividend is placed on credit or deposit. |
| Contra account-credit account previously debited. | Contra account-debit dividend account for the year involved or MTC (39). |
| Forms Used:<br>VA Forms 29-5894a, Blocks **53-64** only.<br>29-8525(05) | b. When interest is added to the account. |
| | Contra account-debit Interest on Dividend Credits or Deposits (40). |





DIVIDEND CREDITS OR DEPOSITS-WITHDRAWN OR APPLIED-(I 2)

| **DEBIT** | **CREDIT** |
| --- | --- |
| a. When dividend credit or deposit is paid in cash. | a. When it is necessary to reverse any of the debit actions. |
| **Contra account-credit UID** (52). | Contra account-debit account previously credited. |
| b. When dividend credit or deposit is applied to **another account.** | |
| **Contra account-credit MTC** (39). | |
| **Forms Used:** | |

**VA Forms** 29-5894a, **Blocks** 53-64 **only.**
**29-8525(05)**

DIVIDENDS-SETTLEMENT-(43)

| DEBIT | CREDIT |
|---|---|
| a. When **a** dividend is authorized on death and surrender cases for the months after the policy anniversary up to the date of termination. | a. When it is necessary to reverse any of the debit actions. |

Contra account-debit account previously credited or
Contra accounts-credit Matured Contracts Payable MTC **(39).**
(l3). **UID** (52) **or MTC** (39).

**Forms Used:**
**VA Forms** 29-394 29-8527(07)
**29-5897a** **29-8528(08)**

DIVIDENDS-SETTLEMENT-OVERPAYMENTS-(44)

| DEBIT | CREDIT |
|---|---|
| **a.** Normally this account is not debited. | **a.** When an overpayment is discovered and a lien is established. |

**Forms Used:**
VA Forms **29-394** **29-8527(07)**
**29-5897a** **29-8528(08)**

Contra account-debit Policy Liens-Established Current Fiscal Year (08).



DIVIDENDS-NSLI/USGLI-SPECIAL AND REGULAR-ANNUAL-ALL **OTHER-(45)**

| DEBIT | CREDIT |
|---|---|

a. When a dividend which was due prior to the first calendar year preceding the current dividend year is authorized clerically.

Contra accounts-credit UID **(52),** Matured Contracts Payable (13), Dividend Credits and Deposits-Established Current Fiscal Year (II), MTC (39) or **Unapplied Collections-Offsets (16).**

a. When necessary to reverse any of the debit actions.

Contra account-debit account previously credited.

**Forms Used:**
**VA Forms 29-394**

| | |
|---|---|
| **29-5893a** | **29-8523(03)** |
| 29-5894a | **29-8525(05)** |
| 29-5894b | **29-8526(06)** |
| 29-5895a | 29-8527(07) |
| 29-5897a | 29-8528(08) |

DIVIDENDS-NSLI-SPECIAL AND REGULAR-ANNUAL-ALL OTHER-OVERPAYMENTS-(46)

DEBIT

**a.** When necessary to reverse any of the credit dividend actions.

Contra account-credit the account previously debited.

Forms Used:
VA Forms 29-394
29-5897a 29-8528(08)

CREDIT

a. When an overpayment is discovered on a ____ which was paid prior to the first calendar year preceding the current dividend year and a lien is established.

Contra account-debit Policy Liens-Established Current Fiscal Year (08).
29-8527(07)

DIVIDENDS-NSLI-(PRIOR YEAR)-REGULAR-ANNUAL-(47)

DEBIT

a. When a dividend which was due the first calendar year preceding the current dividend year is authorized clerically.

Contra accounts-credit UID **(52),** Matured Contracts Payable (13), Dividend Credits and Deposits Established Current Fiscal Year (II), MTC (39) or **Unapplied Collections-Offsets (16).**

CREDIT

a. When it is necessary to reverse any of the debit actions.

Contra account-debit the account previously credited.

**Forms Used:**
**VA Forms 29-394**

| | |
|---|---|
| 29-5893a | **29-8523(03)** |
| 29-5894a | 29-8525(05) |
| 29-5894b | **29-8526(06)** |
| 29-5895a | 29-8527(07) |
| 29-5897a | 29-8528(08) |

DIVIDENDS-NSLI-(PRIOR YEAR)-REGULAR-ANNUAL-OVERPAYMENTS-(48)

**DEBIT** **CREDIT**

**a.** When it is necessary to reverse any of the credit **actions.**
**the**

**Contra account-credit the account previously deb ited.**
**Cur**

**Forms Used:**
**VA Forms 29-394** 29-8525(05)

a. When an overpayment is discovered on a dividend **which was paid the first calendar year preceding**

**current dividend year and** a **lien is established.**

**Contra account-debit Policy Liens-Established**

current Fiscal Year (08).

**29-5894a**
**29.8527(07)**
**29-5897a**
**29-8528(08)**

DIVIDENDS-NSLI-(CURRENT YEAR)-REGULAR-ANNUAL-(49)

**DEBIT** **CREDIT**

a. When **a** dividend which is due for the current dividend year is authorized clerically.

**Contra accounts-credit UID** (52), **Matured Contracts cred**
**Payable (13), Dividend Credits and Deposits-**
**Established Current Fiscal Year (Il), MTC (39) or**
**Unapplied Collections-Offsets (16).**

a. When it is necessary to reverse any of the debit actions.

**Contra account-debit the account previously ited.**

**Forms Used:**
**VA Forms** 29-394
**29-5893a**
**29-5894a**
**29-5894b**
**29-5895a**
**29-5897a**
**29-8523(03)**
**29-8525(05)**
**29-8526(06)**
**29-8527(07)**
**29-8528(08)**

DIVIDENDS-NSLI-(CURRENT YEAR)-REGULAR-ANNUAL-OVERPAYMENTS-(50)

**DEBIT** **CREDIT**

**a.** When it is necessary to reverse any of the credit a. When an overpayment is discovered on a dividend

**actions.**

**Contra account-credit the account previously deb ited.**

**paid for the current dividend year and a lien is established.**

**Contra account-debit Policy Liens-Established Cur** rent Fiscal Year (08).

**Forms Used:**
**VA Forms** 29-394 29-8525(05)
29-5894a **29.8527(07)**
**29-5897a** **29.8528(08)**





**DIVIDENDS-I 9__SPECIAL-(56)**

**DEBIT**

a. When a special dividend is authorized clerically.

**Contra accounts-credit UID** (52), **Matured Contracts Payable (13), Dividend Credits and Deposits-Established Current Fiscal Year (Il), MTC (39) or Unapplied Collections-Offsets (16).**

**CREDIT**

**a.** When it is necessary to reverse any of the debit actions.

**Contra account-debit the account previously cred ited.**

**Forms Used:**
**VA Forms 29-394**
29-5893a **29-8523(03)**
29-5894a **29-8525(05)**
29-5894b **29-8526(06)**
29-5895a 29-8527(07)
29-5897a 29-8528(08)

DIVIDENDS- **19__SPECIAL-OVERPAYMENTS-(57)**

DEBIT

**a.** When it is necessary to reverse any of the credit actions.

Contra account-credit the account previously deb- ited.

CREDIT

a. When an overpayment of **a** special dividend is discovered and a lien is established.

Contra account-debit Policy Liens- Established Cur rent Fiscal Year (08).

**Forms Used:**
**VA Forms 29-394**

| | |
|---|---|
| 29-5893a | **29-8523(03)** |
| 29-5894a | **29-8525(05)** |
| 29-5894b | **29-8526(06)** |
| 29-5895a | 29-8527(07) |
| 29-5897a | 29-8528(08) |

**FACE** AMOUNT-UNPAID MATURED CONTRACTS AND TRANSFERRED ACCOUNTS-(51)

DEBIT

**a.** When a contract matures in death cases or matured endowment for the face amount of the policy.

Contra accounts-credit MTC (39) or Matured Con-**tracts Payable (13).**

**Forms Used:**
**VA Forms 29-5897a**
29-8527(07)

CREDIT

**a.** When it is necessary to reverse any of the debit actions.

Contra account-debit the account previously cred ited.





INTEREST ON DIVIDEND CREDITS AND DEPOSITS-(40)

**DEBIT**

a. When interest is added to a dividend credit or deposit account.

**Contra account-credit MTC (39).**

**Forms Used:**
**VA Forms** 29-5894a, **Blocks** 65-76 **only.**
29-5897a
**29.8525(05)**
**29-8527(07)**

**CREDIT**

a. When it is necessary to reverse any of the debit actions.

**Contra account-debit MTC (39).**

INTEREST ON POLICY LIENS-CASH COLLECTIONS-(26)

**DEBIT**

**a.** Only when processing an uncollectible remittance.

**Contra account-credit UIC** (38).

**Forms Used:**
**VA Forms** 29-5894a, **Blocks** 65-76 **only.**

**CREDIT**

**a.** When lien interest paid by transfer of a credit from another fund.

Contra account-debit MTC (39).

**29-8525(05)**

INTEREST ON POLICY LIENS-OFFSETS-(27)

**DEBIT** **CREDIT**

**a.** When necessary to reverse any of the credit actions.
Contra account-credit account previously debited.
MTC (39).

**a.** When lien interest paid by transfer of a credit from the same fund.
Contra account-debit

**Forms Used:**
**VA Forms** 29-5894a, **Blocks** 65-76 **only.**
**29-8525(05)**

INTEREST ON POLICY LOANS-CASH COLLECTIONS-(22)

**DEBIT** **CREDIT**

**a.** Only when processing an uncollectible remittance.

**Contra account-credit UIC** (38).

a. When loan interest paid **by** transfer of a credit from another fund.

Contra account-debit MTC (39).

**Forms Used:**
**VA Forms 29-5894a, Blocks** 65-76 **only.**
29.8525(05)





INTEREST ON POLICY LOANS-OFFSETS-(23)

DEBIT CREDIT

a. When necessary to reverse any of the credit actions.
Contra account-credit accounts previously debited.

a. When loan interest paid by transfer of a credit from the same fund.

b. When interest is capitalized (added to loan principal).

Contra account-debit MTC (39).

Forms Used:
VA Forms 29-5894a, Blocks **65-76** only.
**29.8525(05)**

INTEREST ON PREMIUMS **IN** ARREARS-CASH COLLECTIONS-(24)

DEBIT CREDIT

**a.** Only when processing an uncollectible remittance. a. When premium interest paid by transfer of a credit from another fund.

**Contra account-credit UIC (38).** Contra account-debit MTC (39).

**Forms Used:**
**VA Forms 29-5893a, Blocks** 65-76 **only.**
**29-8523(03)**

INTEREST ON PREMIUMS **IN** ARREARS-OFFSETS-(25)

DEBIT CREDIT

a. When necessary to reverse any of the credit actions. a. When premium interest paid by transfer of **a** credit from the same fund.

**Contra account-credit accounts previously debited. Contra account-debit MTC (39).**

**Forms Used:**
**VA Forms 29-5893a, Blocks** 65-76 **only.**
**29-8523(03)**

MATURED CONTRACTS PAYABLE-(I 3)

DEBIT CREDIT

a. When it is necessary to reverse any of the credit actions. **a.** For the net amount payable on **a** matured contract.

Contra account-credit accounts previously debited. Contra accounts-debit MTC (39) and/or Face Amount-Unpaid Matured Contracts (51).

Forms Used:
**VA Forms 29-5897a**
29-8527(07)



MISCELLANEOUS TRANSACTION CONTROL-(39)

**DEBIT CREDIT**

**a.** When an entire accounting transaction cannot be cannot be completed on one input document. **a.** When an entire accounting transaction This account will completed on one input document.

This account will be debited for all credit transactions which be credited for all debit transactions which do not have a contra debit entry to some other account. have **a** contra credit entry to some other account.

b. Also when the limitations placed on an individual b. Also when the limitations placed on an individual input card require use of an interim account, to go input card require use of an interim account, to go from one part of the input card to the other. from one part of the input card to the other.

**Forms Used:**

Used on all forms

POLICY LIENS-BASIC ACCOUNT-(05)

**DEBIT** **CREDIT**

a. When lien is transferred from off-tape file. a. When lien is transferred to another office.

b. When lien is received from another office. b. When it is necessary to reverse any of the debit actions.

c. When lien is Discovered which was Lost in **1954** when lien accounts were placed under general ledger Contra account-debit Accountability (21).

• control.

Contra account-credit Accountability (21).

**Forms Used:**

VA Forms **29-5894a,** Blocks **53-64** only.

**29.8525(05)**

POLICY LIENS-CASH COLLECTIONS-(06)

DEBIT CREDIT

a. Only when processing uncollectible remittance. a. When applying remittance or credit to lien from a different fund.

Contra account-credit UIC **(38).** Contra account-debit the account from which credit is taken or MTC (39).

Forms Used:

VA Forms **29-5894a,** Blocks **53-64** only.

**29-8525(05)**

POLICY LIENS-OFFSETS-(07)

DEBIT CREDIT

a. When it is necessary to reverse any of the credit actions.
Contra account-credit MTC (39).

a. When lien is repaid in full or in part by a credit in the same fund.
Contra account-debit MTC (39).

**Forms Used:**
**VA Forms 29-5894a, Blocks** 53-64 **only.**
**29-8525(05)**

POLICY LIENS-ESTABLISHED CURRENT **FISCAL** YEAR-(08)

DEBIT CREDIT

a. When existing lien is increased.
b. When new lien is established.
c. When lien interest is capitalized.

**a.** When it is necessary to reverse any of the debit actions.
Contra account-debit MTC (39).

**Contra account-credit MTC (39) or other control account involved.**

**Forms Used:**
**VA Forms 29-5894a, Blocks** 53-64 **only.**
**29-8525(05)**

POLICY LOAN-BASIC ACCOUNT-(01)

DEBIT CREDIT

a. When loan is transferred from off-tape file.

b. When loan is received from another office.

c. When loan is Discovered which **was** Lost during 1954 when loan accounts were placed under general ledger control.

**a.** When loan is transferred to another office.

b. When it is necessary to reverse any of the debit actions.

Contra account-debit Accountability (21).

**Contra account-credit Accountability (21).**

**Forms Used:**
**VA Forms 29-5894a, Blocks** 53-64 **only.**
29-8525(05)

POLICY LOANS-CASH COLLECTIONS-(02)

DEBIT

a. Only when processing uncollectible remittance.

Contra account-credit UIC **(38).**

Forms Used:
VA Forms 29-5894a, Blocks **53-64** only.
**29-8525(05)**

CREDIT

a. When applying remittance or credit to loan from a different fund.

Contra account-debit the account from which the credit is taken or MTC (39).

POLICY LOANS-OFFSETS-(03)

DEBIT

**a.** When it is necessary to reverse any **of** the credit actions.

Contra account-credit MTC (39).

Forms Used:
VA Forms 29-5894a, Blocks **53-64** only.
**29-8525(05)**

CREDIT

a. When loan is repaid in full or in part by a credit in the same fund.

Contra account-debit account previously credited.

**& POLICY LOANS-MADE**
**CURRENT FISCAL YEAR-(04)**

w DEBIT

**a.** When new loan is made or when increased loan is made.

Contra account-if new loan is made and only cash involved credit UID **(52);** otherwise, credit MTC (39).

CREDIT

**a.** When it is necessary to reverse any of the debit actions.

Contra account-debit account previously credited.

b. When loan interest is capitalized.

Contra account-credit MTC (39).

Forms Used:
VA Forms **29-5894a,** Blocks **53-64** only.

29-8525(05)

24-25



PREMIUMS-CASH COLLECTIONS-(31)

| DEBIT | CREDIT |
|---|---|
| a. Only when processing an uncollectible remittance. | a. When premium is paid by a credit from another fund. |
| **Contra account-credit UIC (38).** | |
| Forms Used: | Contra account-debit account from which credit received or MTC (39). |
| VA Forms 29-5893a, Blocks **53-64** only. | |
| **29.8523(03)** | |

PREMIUMS-OFFSETS-(32)

| DEBIT | CREDIT |
|---|---|
| a. When it is necessary to reverse any of the credit actions. | a. When premiums are paid by a credit from another account in the same fund or appropriation. |
| Contra account-credit account previously debited. | Contra account-debit account from which credit received or MTC (39). |
| Forms Used: | |
| **VA Forms 29-5893a, Blocks** 53-64 **only.** | |
| **29-8523(03)** | |

29-8527(07)

PREMIUMS-PURCHASE OF EXTENDED OR PMD-UP INSURANCE (33)

| DEBIT | CREDIT |
|---|---|
| **a.** When it is necessary to reverse any of the credit actions; i.e., reinstatement. | a. When the net amount of reserve plus dividend deposit is applied to purchase of paid-up or extended insurance. |
| Contra accounts-credit Reserve Applied-(Policy Surrendered for Paid-Up or Extended Insurance) **(55)** or MTC (39). | Contra accounts-debit Reserve Applied-(Policy Surrendered for Paid-Up or Extended Insurance) **(55)** or MTC (39). |

Forms Used:
VA Forms 29-5893a, Blocks **53-64** only.
29-5897a
**29-8523(03)**
29-8527(07)





PREMIUMS-REFUNDED OR TRANSFERRED-(34)

| DEBIT | CREDIT |
|---|---|
| **a.** When unearned premiums and/or overages are refunded or transferred. | a. When it is necessary to reverse any of the debit actions. |

**Contra accounts-credit UID** (52), **MTC (39), or the Contra account-debit account previously credited. account to which the credit is transferred.**

**Forms Used:**
**VA Forms** 29-5893a, **Blocks** 53-64 **only.**
**29-8523(03)**

PREMIUMS-TDIP-CASH COLLECTIONS-(35)

| DEBIT | CREDIT |
|---|---|
| **a.** Only when processing an uncollectible remittance. | **a.** When TDIP premium is paid by **a** credit from another fund. |

**Contra account-credit UIC** (38).

Contra account-debit account from which credit received or MTC (39).

Forms Used:
**VA Forms** 29-5894b, **Blocks** 53-64 **only.**
**29-8523(03)**
**29-8531(11)**

PREMIUMS-TDIP-OFFSETS-(36)

DEBIT

a. When it is necessary to reverse any of the credit actions.

**Contra account-credit account previously debited.**

CREDIT

**a.** When TDIP premium is paid by a credit from another account in the same fund or appropriation.

**Contra account-debit account from which credit received or MTC (39).**

**Forms Used:**
**VA Forms** 29-5894b, **Blocks** 53-64 **only.**
**29-8523(03)**
**29-8531(11)**

PREMIUMS-TDIP REFUND))-(37)

DEBIT

a. When unearned TDIP premiums and/or overages are refunded or transferred.

CREDIT

a. When it is necessary to reverse any of the debit actions.

**Contra accounts-credit UID** (52), **MTC (39), or the Contra account-debit account previously credited. account to which the credit is transferred.**

**Forms Used:**
**VA Forms** 29-5894b, **Blocks** 53-64 **only.**
29-8523(03)
29-8531(11)





RESERVE APPLIED-(POLICY SURRENDERED FOR PAID-UP OR EXTENDED INSURANCE)-(55)

DEBIT

a. When the reserve is applied for paid-up insurance or when an account is placed under extended insurance.

Contra account-credit the account to which the **credit is applied or MTC (39).**

CREDIT

a. When it is necessary to reverse any of the debit actions.

Contra account-debit the account previously cred ited.

**Forms Used:**
VA Forms 29-5893a **29-8523(03)**
29-5897a 29-8527(07)

SURRENDER VALUES-(53)

| DEBIT | CREDIT |
|---|---|
| a. When processing **a** cash surrender, conversion, reduction of permanent plan or change of permanent plan for the amount of the reserve. | a. When it is necessary to reverse any of the debit actions. |

Contra accounts-debit UID **(52)** or MTC (39).
**Contra accounts-credit UID** (52) **or MTC (39).**

**Forms Used:**
VA Forms 29-5893a **29-8523(03)**
29-5897a 29-8527(07)

SURRENDER VALUES-OVERPAYMENTS-LIENS-(54)

| DEBIT | CREDIT |
|---|---|
| **a.** When it is necessary to reverse any of the credit previous actions. | a. When an overpayment is discovered on a surrender action and **a** lien is established. |

Contra account-credit Policy Liens-Established Current Fiscal Year (08).

Contra account-debit Policy Liens-Established Current Fiscal Year (08).

**Forms Used:**
**VA Forms 29-5894a**
**29.8525(05)**



**UNAPPLIED COLLECTIONS-BASIC ACCOUNT-(14)**

**a. When it is necessary to reverse any of the credit** suspense **item is put on the actions.** **tape.**

**a. When a** previous **pending transaction**

**Contra account-credit accounts previously debited.** **Accountability** (21).

**Contra account-debit**

Forms **Used:**
VA Forms 29-5985a
29-8526(06)

**UNAPPLIED COLLECTIONS-CASH COLLECTIONS-(15)**

DEBIT

CREDIT

**a. Only when processing an** uncollectible **remittance** **an** unapplied **collection is previously** established as **a** pending **transaction.**

**a. When the amount of received from another** fund.

**Contra account-credit UIC** (38).

**Contra account-debit** MTC **(39).**

Forms **Used:**
VA Forms 29-5895a
29-8526(06)

**UNAPPLIED COLLECTIONS-OFFSETS-(I 6)**

DEBIT

CREDIT

**a. When it** is **necessary to reverse any of the credit withheld from** various disburse **actions.** **established** as a pending transaction.

**a. When the amount ment** accounts is

**Contra account-credit account** previously debited. **MTC (39) or the account from**

**Contra account-debit** which withheld.

Forms Used:
**VA Forms** 29-5895a
29.8526(06)

**UNAPPLIED COLLECTIONS-WITHDRAWN OR APPLIED-(I** 7)

**DEBIT**

**a. When an item is removed from the pending**
**any of the debit**
**transaction tape to be applied to another control**
**account.**

**previously credited.**
Contra account-credit MTC (39).

**b. When refunding an unapplied collection.**

Contra account-credit UlD **(52).**

**CREDIT**

**a. When it is necessary to reverse**

**actions.**

**Contra account-debit account**

Forms Used:
VA Forms 29-5895a 29.8526(06)
**29-5897a** 29-8527(07)

**UNASSOCIATED COLLECTIONS-CASH COLLECTIONS-(I8)**

DEBIT CREDIT

**Not used on** input; system credits this account automatically **and** debit is posted from VA Form 29A499 outside the system.

**UNASSOCIATED COLLECTIONS OFFSETS**

DEBIT **CREDIT**

This account not used on any input document.

**UNASSOCIATED COLLECTIONS-WITHDRAWN OR APPLIED-(20)**

**DEBIT**

**a. When Unassociated remittance is identified** and
**applied to a specific account.**

**CREDIT**

**a. When remittance previously applied to wrong**
**account is established as Unassociated.**

**Contra account-credit account to which remittance** is **applied** or MTC **(39).**

**Contra account-debit account to which remittance was previously applied or** MTC **(39).**

**Forms Used:**

VA Forms 29-5893a
**29-5894a**
**29-5894b**
**29-5895a**
**29-5897a**
29.8525(05)
29-8526(06)
**29.8527(07)**
29-8523(03)



UNDELIVERED **CHECKS** AND PAYMENTS DUE- (09)

DEBIT

**a.** When payment is made of an amount previously established as a liability.

Contra account-credit MTC (39) or other appropriate account.

CREDIT

a. When **a** dividend or refund cannot be paid because address is not known.

Contra account-debit MTC (39) or other appropriate account from which credit is taken.

Forms Used:

VA Forms 29-5893a
**29-5894a**
**29-5894b**
**29-5895a**
29-5897a
**29-8328**
**29-8523(03)**
**29-8525(05)**
**29-8526(06)**
29-8527(07)

*NOTE: Input documents debiting or crediting this account must clear from the ADP Control Unit*

UNDISTRIBUTED INSURANCE COLLECTIONS-(38)

DEBIT

**a.** This account will not be debited on an input document.

• uncollectible remittance.

CREDIT

**a.** Only when processing an Contra account-debit cash collection account from

Forms Used:

VA Forms **29-5893a** **29-8523(03)**
**29-5894a** **29-8525(05)**
**29-5894b** **29-8526(06)**
**29-5895a**

which credit is being removed.

UNDISTRIBUTED INSURANCE DISBURSEMENTS-(52)

DEBIT

a. When it is necessary to cancel **a** disbursement. made on VA Form **24-706.**

Contra account credit the account previously deb- ited.

Forms Used:

VA Forms 29-394 **29-8523(03)**
**29-5893a** **29-8525(05)**
**29-5894a** **29-8526(06)**
**29-5895a** **29-8527(07)**
**29-5897a** **29-8528(08)**

CREDIT

a. When a refund will be made

b. When a transfer is made to an off-tape account.

c. When **a** disbursement is being made outside the system.

Contra accounts-debit Policy Loans-Made Current Fiscal Year (04), Unapplied Collections-Withdrawn or Applied (17), Premiums-Refunded or Transferred **(34),** Premiums-TDIP-Refunded or Transferred (37), Dividend Accounts **(45),** **(47), (49), (56),** or MTC (39).





VARIANCE-OVERAGE-CASH COLLECTIONS-(28)

DEBIT

a. Only when remittance previously applied is uncollectible.

Contra account-credit UIC (38).

CREDIT

**a.** When the excess of a remittance or credit from another fund is less than $ I over the amount required to pay a loan or lien, credit this account for the excess.

Forms Used:
VA Forms 29-5894a
29-8525(05)

Contra account-debit the account from which credit received or MTC (39).

VARIANCE-SHORTAGE-(29)

DEBIT

CREDIT

a. When the remittance or credit received is less than $1 short of the amount required to pay the loan or lien.

Contra account-debit account previously credited.
Contra accounts-credit Policy Loans-Offsets (03),
Interest on Policy Loans-Offsets **(23),** Policy Liens
**Offsets (07) or Interest on Policy Liens-Offsets (27).**

a. When necessary to reverse any of the debit actions.

b. When insured requests credit amount previously transferred to variance be refunded or applied to his credit.

**Contra account-credit account to which credit applied or UID** (52).

**Forms Used:**
VA Forms 29-5894a **29-8525(05)**
29-5897a 29-8527(07)

**VARIANCE-OVERAGE-OFFSETS-(30)**

DEBIT

CREDIT

**a.** When it is necessary to reverse any of the credit actions.

Contra account-credit MTC (39).

**a.** When the excess of **a** credit received **from** another account in the same fund is less than $ 1 over the **amount** required to pay **a** loan or lien, credit this account for the excess.

Contra account-debit MTC (39).

Forms Used:
VA Forms 29-5894a **29-8525(05)**
29-5897a 29-8527(07)



WAIVERS-RECEIVABLES AND LIENS-(41)

**DEBIT**

**CREDIT**

a. Only when the Administrator waives payment of alien.

a. Normally credit entries to this account will not be made.

Contra account-credit Policy Liens-Offsets (07).

Forms Used:
**VA Forms** 29-5894a
**29-8525(05)**

WAIVERS-PREMIUMS-(58)

| **DEBIT** | **CREDIT** |
|---|---|
| **a.** Amount of premiums waived-Nonreimbursable. | **a.** Normally credit entries to this account will not be made. |

Contra account Premium-Offsets **(32).**

Forms Used:
VA Forms **29-5893a** **29-8523(03)**
29-5897a **29-8527(07)**

WAIVERS-PREMIUMS-REIMBURSABLE-(59)

| **DEBIT** | **CREDIT** |
|---|---|
| a. Amount of premiums which are reimbursable. | **a.** Normally credit entries to this account will not be made. |

Contra account Premium-Offsets **(32).**

Forms Used:
VA Forms 29-5893a **29-8523(03)**
29-5897a **29-8527(07)**

WRITE-OFFS-POLICY LIENS-(42)

| **DEBIT** | **CREDIT** |
|---|---|
| **a.** When policy lien is written off as uncollectible. | a. When it is necessary to reverse the debit action. |

Contra account-credit Policy Liens-Offsets (07). Contra account-debit Policy Liens-Offsets (07).

Forms Used:
**VA Forms** 29-5894a
**29-8525(05)**

POLICY LOANS-TRANSFERRED TO OTHER STATIONS-(62)

DEBIT CREDIT

a. When a loan is transferred to another office. **a.** When it is necessary to reverse the debit action.

Contra account-credit Policy Loans-Basic Account (01). Contra account-debit Policy Loans-Basic Account (01).

Forms Used:
VA Forms 29-5894a, Blocks **53-64** only.
**29-8525(05)**

POLICY LOANS-RECEIVED FROM OTHER STATIONS-(63)

DEBIT CREDIT

a. When it is necessary to reverse the credit action. **a.** When **a** loan is received from another office.

Contra account-credit Policy Loans-Basic Account (01). Contra account-debit Policy Loans-Basic Account (01).

Forms Used:
VA Forms 29-5894a, Blocks **53-64** only.
**29-8525(05)**

POLICY LIENS-TRANSFERRED TO OTHER STATIONS-(64)

DEBIT CREDIT

**a.** When **a** lien is transferred to another office. **a.** When it is necessary to reverse the debit action.

Contra account-credit Policy Liens-Basic Account **(05).** Contra account-debit Policy Liens-Basic Account **(05).**

Forms Used:
VA Forms 29-5894a, Blocks **53-64** only.
**29-8525(05)**

POLICY LIENS RECEIVED FROM OTHER STATIONS-(65)

DEBIT CREDIT

a. When it is necessary to reverse the credit action. a. When a lien is received from another office.

Contra account-credit Policy Lien-Basic Account **(05).** Contra account-debit Policy Lien-Basic Account **(05).**

Forms Used:
VA Forms 29-5894a, Blocks **53-64** only.
**29-8525(05)**



**DIVIDEND** CREDITS AND DEPOSITS-TRANSFERRED TO OTHER STATIONS-(66)

DEBIT

a. When dividend credit or deposit is transferred to another office.

Contra account-credit Dividend Credits and Deposits-Basic Account (10).

Forms Used:
VA Forms 29-5894a, Blocks **53-64** only.
**29-8525(05)**

CREDIT

**a.** When it is necessary to reverse the debit action.

Contra account-debit Dividend Credits and Deposits-Basic Account **(10).**

DIVIDEND CREDITS AND DEPOSITS-RECEIVED FROM OTHER STATIONS-(67)

DEBIT

**a.** When it is necessary to reverse the credit action.

Contra account-credit Dividend Credits and Deposits-Basic Account (10).

Forms Used:
VA Forms **29-5894a,** Blocks **53-64** only.
• **29-8525(05)**

CREDIT

a. When dividend credit or deposit is received from another office.

Contra account-debit Dividend Credits and Deposits-Basic Accounts (10).

FACE AMOUNT TRANSFERS-TRANSFERRED TO OTHER STATIONS-(68)

DEBIT

**a.** When it is necessary to reverse the credit action.

CREDIT

a. When a contract is transferred to another office.

Contra account-credit Face Amount-Unpaid Ma- Contra account-debit Face Amount-Unpaid Ma
tured Contracts and Transferred Accounts (51). tured Contracts and Transferred Accounts (51).

Forms Used:
VA Forms 29-5897a
**29-8527(07)**

**FACE** AMOUNT TRANSFERS-RECEIVED FROM OTHER STATIONS-(69)

DEBIT CREDIT

**a.** When a contract is received from another office. a. When it is necessary to reverse the debit action.

Contra account-credit Face Amount-Unpaid Ma- Contra account-debit Face Amount-Unpaid Ma
tured Contracts and Transferred Accounts (51). tured Contracts and Transferred Accounts (51).

Forms Used:
VA Forms 29-5897a
**29-8527(07)**





UNAPPLIED COLLECTIONS-TRANSFERRED TO OTHER STATIONS-(70)

DEBIT CREDIT

a. When it is necessary to reverse the credit action. **a.** When an unapplied collection is transferred to
another office.

**Contra account-credit Unapplied Collections-Basic**
Account (14). Contra account-debit Unapplied Collections-Basic
Account (14).

Forms Used:

**VA Forms 29-5895a**
**29.8526(06)**

**UNAPPLIED** COLLECTIONS RECEIVED FROM OTHER STATIONS-(71)

DEBIT CREDIT

**a.** When an unapplied collection is received from another office.

a. When it is necessary to reverse the debit action.

Contra account-debit Unapplied Collections-Basic Account (14).

Contra account-credit Unapplied Collections- Basic Account (14).

**Forms Used:**
**VA Forms 29-5895a**
**29-8526(06)**

**24.07 EXAMPLES OF** CONTROL **ACCOUNT ENTRIES** USED ON INPUT DOCUMENTS

**a. Pending Transactions**

(I) When deleting pending transactions for records on tape involving general ledger accounts in the same fund other than uncollectible remittances, debit Unapplied Collections-Withdrawn or Applied (17) and credit Miscellaneous Transaction Control (39).

***(2)*** *When completing the posting transactions on VA Form 29-5893a/29-5894a or* ***29-8523(O3)/29-8525(05),*** *involving the pending transactions mentioned above, complete the control account field of the proper input document as follows:*

***(a)*** *Debit MTC account (39).*

*(b) Credit the offsets control account involved. (Premiums-Offsets, Policy Loans-Offsets, etc.)*

***(3)*** *When deleting* ***a*** *pending transaction involving general ledger accounts (either in the same or different funds) and the pending transaction is an uncollectible remittance, debit Unapplied Collections-Cash Collections (15) and credit Undistributed Insurance Collections (38).*

*(4) When deleting pending transactions involving general ledger accounts (either in the same or different funds), and the pending transaction is applied to an off-tape record or*

*is refunded, debit the Unapplied Collections-Withdrawn or Applied (17). Credit Undistributed Insurance Disbursements **(52)** in the same fund as the debit account. When completing the accounting actions involving refunds, repayments of off-tape liens in different funds or premiums for K policies, debit the Undistributed Insurance Disbursements **(52)** and credit the appropriate cash account. These transactions are shown on SF 1081 or VA Form 4-1423.*



**(5) When suspense amounts** are **located** on VA **Form 9-361, Premium Record Card, after the accounts have been converted to tape, prepare** VA Form **29-5895a or 29-8526(06) to insert the money involved as a pending** transaction. Complete the **control account** fields **to show a debit to Accountability (21), and a credit to** Unapplied **Collections-Basic Account (14). Forward all input documents, premium record cards, and related material to the Voucher Audit activity for review and verification.**

**(6) When a pending** posting transaction is **received and the transaction** is **not identified with a policy prefix and number, the amount of transaction** is **deposited in the V fund.** A **payment identified with a policy prefix and number is** deposited in **the fund** indicated **by the policy prefix. When any part or all of a pending posting transaction** (cash collections) or **an amount of a payment previously applied is being withdrawn and requires an interfund transfer, the cash collections accounts will be used as shown in** the **following examples:**

**(a)** A 201 **pending** posting **transaction has not been identified with a policy number. The amount of the pending transaction** is **$25 and it** is intended for **application of $ 15 to V and $** 10 **to K policy.**

| Trans. Type | Amount | Control Account Entries | |
|---|---|---|---|
| **098** | **$25.00** | DR 1-(IS) | **CRI-39** |
| **083-V** | 15.00 | DR **1-39** | CR 1-(3I) |
| 083-K | **10.00** | DR **1-39** | **CR 5-(3I)** |

**(b)** A 201 **pending posting transaction** is **shown with no policy number or a V policy number.** The **payment is for $6 and is intended for premiums on the insured's RS policy.**

| Trans. Type | Amount | Control Account Entries | |
|---|---|---|---|
| **098** | **$ 6.00** | DR **I-(IS)** | **CRI-39** |
| **083** | **6.00** | DR 1-39 | **CR2-(31)** |

(c) An RPO **is generated on an insured with an FV number, and there are policies issued under V and RH numbers. An adjustment is necessary** to **prevent lapse of the RH policy, and input is prepared to use overages on amounts which** were **erroneously applied to** the V **policy.**

| Trans. **Type** | **Amount** | **Control Account Entries** | |
|---|---|---|---|
| 083-V **(downdate)** | **$ 6.00** | DR 1-(3I) | CR **1-39** |
| **083-RH (update)** | **6.00** | DR **1-39** | **CR 3-(3I)** |

**(d)** There is **a 201 pending posting transaction which is identified with a V policy number or with no policy identification. The amount of the pending transaction of $34 is intended for application as follows: $4** TDW **premium on V account, $10 to life premium on V account, $6 to life premium on K account, $14 to life premium on J account.**

| Trans- **Type** | **Amount** | **Control Account Entries** | |
|---|---|---|---|
| **098** | **$34.00** | DR **I-(I** S) | CRI-39 |
| 083-(V-Life **Premium)** | **10.00** | DR **1-39** | **CR 1-(3I)** |
| 087-(V-TDW) | 4.00 | DR 1-39 | CR I-(3S) |
| 083-J | **14.00** | **DR 1-39** | **CR7-(31)** |
| 083-K | **6.00** | **DR 1-39** | CRS-(31) |





*(e)A 201 pending posting transaction of $14 is identified with an RH policy number. The payment is to be applied $5 to RH and $9 to K.*

| **Trans. Type** | **Amount** | **Control Account Entries** | |
|---|---|---|---|
| 098 | $14.00 | **DR** 3-(IS) | CR3-39 |
| 083 (RH) | 5.00 | DR 3-39 | CR3-(3l) |
| 083 (K) | 9.00 | DR 3-39 | CRS-(31) |

(f) A 300 pending posting of $400 does not show policy number identification. The payment is to be applied as follows: $200 to loan on a V policy and $200 to loan on a K policy.

| **Trans. Type** | **Amount** | **Control Account Entries** | |
|---|---|---|---|
| 098 | $400.00 | DR I-(IS) | CR 1-39 |
| 008 V | 200.00 | DR 1-39 | CR 1-(IS) |
| 008 K | 200.00 | DR 1-39 | CR 5-(IS) |

*NOTE: Transfers of moneys having i, JR or is prefixes [will not be made as outlined in the above samples.]*

*b. Loans. The accounting actions taken with a new or replacement loan are debiting of the Policy Loans-Made Current Fiscal Year (04) and crediting of the MTC (39). To complete the accounting actions on loans, debit MTC **(39)** and credit Undistributed Insurance Disbursements (52) when a check is sent the insured or deductions are made for off-tape records. When any deductions in the same fund are made from the amount of loan for on-tape records, debit MTC (39) and credit offset (Premiums-Offsets, Interest on Policy Loans Offsets, etc.).*

*NOTE: If the action is a new loan and no offset action is involved, debit Policy Loans-Made Current Fiscal Year (04) and credit Undistributed Insurance Disbursements (52) on the VA Form 29-5894a or 29-8525(05).*

*c. Cash Surrender*

*(l) Accounting actions for a cash surrender, where no deductions are subtracted from or no credits are added to the reserve value, are shown on VA Fond 29-5897a or 29-8527(07). Complete the control account fields of this form to show a debit to Surrender Values (53) and a credit to Undistributed Insurance Disbursements (52).*

***(2)*** *When deductions are made from the reserve value to liquidate indebtedness, debit **MTC** (39) and credit the offsets account which is to receive the deduction. When credits (unearned premiums, dividends, etc.) are included in the surrender, debit the general ledger accounts involved together with the surrender value account. Credit Undistributed Insurance Disbursements (52) if a check is mailed the insured.*

*d. Death Cases*

*(l) When processing a death case `when no indebtedness is deducted from or credits added to the settlement, prepare VA Form 29-5897a or 29-8527(07) to make final adjustment of general ledger accounts and purge the master record. Debit Face Amount-Unpaid Matured Contracts and Transferred Accounts (51) and credit Matured Contracts Payable (l3).*

*(2) When amounts are deducted from the settlement to pay premium, loan, or lien indebtedness, prepare VA Forms 29-5893a/29-S894a or 29-8523(03)/29-8S25(0S) to reflect payment of such indebtedness. Debit MTC (39) in all instances. Credit Premiums-Offsets (32) on VA Form 29-5893a to reflect payment of premium(s) and/or premium shortages. Credit Policy Loans-Offsets (03) and Interest on Policy Loans-Offsets (23) on VA Form 29-5894a or 29-8525(05) to reflect payment of loan principal and interest. Credit Policy Liens-Offsets (07) and Interest on Policy Liens-Offsets (27) on VA Form 29-5894a or 29-8525(05) to reflect payment of the lien balance and interest.*





**(3)** When amounts are included in the settlement, prepare VA Forms 29-5893a and/or 29-5894a or **29-8523(03)** and/or **29-8525(05) to** adjust the premium and/or optional segments. Credit MTC (39) in all instances. Debit Premiums-Refunded or Transferred (34) on VA Form 29-5893a or **29-8523(03)** when premiums (unearned premiums, premium credits and pure insurance risk credits) are included in the settlement. Debit Premiums-TDIP-Refunded (37) on VA Form 29-5894b or **29-8523(03)** when including unearned TDIP premiums in the settlement. Debit Dividend Credits/Deposits-Withdrawn or Applied (l2) and Interest on Dividend Credits/Deposits (40) on VA Form 29-5894a or **29-8525(05)** when including dividend credit/deposit principal and interest.

(4) When the amount of **a** pending posting or disbursement transaction is included in the settlement, prepare VA Form 29-5895a or **29-8526(06) to** delete the pending transaction. Debit Unapplied Collections-Withdrawn or Applied

(17) and credit MTC (39). Prepare VA Form **29-5893a/29-8523(03)** or 29-5897a/29-8527(07) to debit MTC (39) and credit Premiums-Offsets **(32).**

***(5)*** *Prepare VA Form 29-5897a or 29-8527(07) to make final adjustment of the general ledger accounts involved and to delete the master record. Debit Face Amount-Unpaid Matured Contracts and Transferred Accounts (51) for the face amount of the policy. Debit or credit the net amount applied to MTC (39), as appropriate, to balance this account and credit Matured Contracts Payable (13).*

*e. Matured Endowments. When processing applications for lump-sum payments of matured endowments involving indebtedness, debit MTC (39) and credit the offset account involved. When credits such as dividend credit, dividend credit interest or premium overage are included in the settlement, debit the general ledger accounts involved together with the Face Amount-Unpaid Matured Contracts and Transferred Accounts (51). Credit the Matured Contracts Payable (13) to affect final settlement.*

*f. Liability Accounting*

*(1) Insurance Record on Tape. Whenever account 09 is debited or credited on an insurance input document, there must be* ***a*** *contra entry to the 09 account on the liability account input document.*

EXAMPLE: Insurance input shows **a** *debit* to the 09 account and a *credit* to the appropriate general ledger account(s) to which the money is being applied. Liability input must be prepared to show a credit to the 09 account.

EXAMPLE: Liability input shows a *debit* to the 09 account. Insurance input must show a *credit* to the 09 account and **a** *debit* to the appropriate general ledger account(s).

*(2) Insurance Record Not on Tape. Whenever account 09 is debited or credited on the liability input, the source document forwarded to Finance and Data Processing Division will reflect a contra entry to the 09 account.*

24.08 VA FORM **29-1610,** TRANSFER WORKSHEET

a. VA Form 29-1610 is used for interfund (between funds) or intrafund (within funds) transfers from on-tape to off-tape records. Transactions processed in run 140, which require these types of transfers, are controlled through the undistributed insurance disbursements general ledger account. VA Form 29-1610 must be prepared for these transactions and accompany the input documents. When preparing VA Form 29-1610, use the two digit ADP general ledger account number codes in place of written titles.





b. Interfund transfers must be summarized on SF 1081, Voucher and Schedule of Withdrawal and Credits, before they are sent to the Accounting Section, Finance and Data Processing Division, for ledger posting. For specific instructions to prepare and process VA Forms 29-1610, refer to the section of the manual pertaining to the type of action involved.

c. Transfer of moneys between J, JR and JS only is no longer considered interfund. Run 130 has been modified to allow a credit to an *offset account* when the debit and credit funds are different and are within the J, JR, JS accounts.

EXAMPLE: DR 7-39 (MTC) CR **8-32** Offset (Premium)

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# CHAPTER **25.** MISCELLANEOUS TRANSACTION CONTROL LISTS (RUN **824)**

## **25.01** GENERAL

a. **The MTC,** Miscellaneous Transaction Control Account, is controlled and maintained on tape. **The** MTC record tape file is processed in run 150 and updated by all processed transactions which debit or credit MTC (39).

b. New **MTC** control records are established when, for each master record, file maintenance transaction debit and credit postings to the **MTC** account are not equal. Existing **MTC** records are deleted from the tape when file maintenance transactions are processed which balance the **MTC** control records.

c. At the end of each calendar month, the **MTC** record tape is processed in run 824. **All MTC** records on tape are listed. The listing with the related punched cards are separated according to the originating element indicated in cc (card column) 80 of the punched card sent to each element. The data processing center makes the separation and distribution of the list and the cards. Copies are also sent to the Resident Auditors of the Department of Data Management and to the Administrative Accounting and Control Unit, Finance and Data Processing Division.

d. It is the responsibility of each section in the Insurance Division to process and control all MTC out-of-balance transactions under its jurisdiction.

e. When circumstances prevent normal adjustment of the **MTC** account with input cards in run 140, a **VA** FL 29-652, Off-Tape Adjustment of General Ledger Accounts, will be prepared and sent to the Chief, Accounting Section, Finance and Data Processing Division, explaining the action desired.

f. Each month all insurance sections will submit a report to the Insurance Officer on out-of-balance

miscellaneous transaction control items identified on the monthly listing as MTC over 30, 60 and 90 days old. The report will contain an explanation on each case as to why the item has been out-of-balance over 30 days.

**25.02** INITIAL PROCESSING BY GROUP SUPERVISORS

a. The reject list (runs 130-140) will be checked with the miscellaneous listing for the PDN (processing day number) following the DN (day number) of the last processing day of the month on which the MTC out-of-balance list was prepared. Determine which items appearing on the out-of-balance list have been corrected.

**The MTC** list will be noted opposite such items as are then in balance as Balanced on DN_____ (initials).

b. The remaining out-of-balance **MTC** punched cards will be distributed to the clerical personnel.

c. The **MTC** list will be retained for entry of adjustment actions taken.

**25.03** CLERICAL PROCESSING

a. **A** search will be made for any unprocessed rejects. If a reject is found, the input document that will place the account in balance will be processed. The inputs with the **MTC** punched cards will be given to the Group Supervisor for entry of input data on the **MTC** list.

b. If an unprocessed reject is not found, request the following:

(I) RPO(frozen).

(2) Transaction history lookup back to 30 days preceding the date the out-of-balance condition developed.

(3) Folder.





c. **An** audit of the account will be made and the necessary inputs prepared to place the account in balance. If the master record is no longer on tape, or for some other reason the **MTC** account cannot be adjusted by the use of file maintenance inputs, a **VA** FL 29-652, Off-Tape Adjustment of General Ledger Accounts, will be ,prepared **for** the Insurance Control activity, Finance and Data Processing Division. The documents that have been prepared with the **MTC** punched card will be given to the Group Supervisor.

**25.04** SECONDARY PROCESSING BY GROUP SUPERVISORS

a. When the prepared documents and MTC cards are returned by the clerks, the **MTC** list will be noted opposite such items as are then in balance as Balanced on DN _____ (initials).

b. The input documents will be released.

c. Succeeding TD lists with the corresponding reject lists will be checked to make sure the corrective input has been accepted by the system.



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## CHAPTER 26. SEMIANNUAL RUN 910

26.01 GENERAL

a. Run 910 is a semiannual editing and dividend rate inserting computer run. The June run only edits the master record. The December run edits and inserts the dividend rates in all the participating plans under NSLI and USGLI for the entire master record and 626 pending transactions.

b. Run 910 also verifies the sequence of the master records and the sequence of policies within the master record. [Also,] policies, whether participating or not, [ ] are checked for correct premium rates, life fund, plan, age and mode of payment. However, premium edits will not be made on [ ] JR, [with or without] TDIP[, and] JS accounts.

c. The system will generate VA Forms 29-5886a, RPO (Record Print Out) [or **VA** Form 29-5886b, Insurance Record Printout,] on those policies where it is unable to insert the dividend rate, where an error exists in the pending ~ dividend [including where the pending dividend is for reduced paid-up or extended insurance and does not match the plan on the master record] or where there is an error in the policy and/or life segment of the master record [including - where all or part of the date of birth is blank.]

d. The generated RPO's, with a copy of the error listing, will be sent to the chief of the appropriate Policy

Service Section by the data processing center. They will also send a copy of the error listing to the Chief, Technical Staff.

e. A listing and explanation of run 910 reason codes are included in MP-6, part II, supplement No. 1.4[, chapter 1.]

26.02 CLERICAL PROCESSING

a. When the generated RPO's and error listing are received in the Policy Service Section, the RPO's will be distributed to the Policy Service units for clerical action. One individual in each section will be designated to maintain the run 910 error listing to assure that all items are accurately processed. The error listing will be noted to reflect the date processing is completed or the date the item is referred to one of the other operating elements for processing.

b. When RPO's are received that indicate an error in the premium rate, life fund, plan, age or mode of payment, the insurance folder will be requested. When the insurance folder and RPO have been reviewed, the necessary input documents will be prepared to correct the error which exists in the master record.

c. When the reason codes indicate prior years' dividends have not been paid, the freeze will be removed from the master record. If the unpaid dividend was for the previous year's dividend, it will be automatically disbursed by the system after the freeze is removed.

d. If the unpaid dividend was for a year prior to the previous year, clerical action for payment of the dividend will be required. Dividends will be authorized only after a search has been made in the insurance folder, transaction listing and the microfilm reels of paid dividend cards. Voucher Audit Unit, Finance and Data Processing Division, will review and audit all clerically prepared dividend authorizations that are to be processed by the system. It may also be necessary to update the dividend year.

e. When RPO's are received with reason codes that indicate the pending dividend transaction is frozen or the plan of insurance is in error, **VA** Form 29-5895a, Pending Transaction Input Card, or **[VA** Form] 29-8526, Pending Transaction, transaction type 098, will be prepared to delete the pending transaction. **VA** Form 29-394, Dividend Transaction Input, or **(VA** Form] 29-8528, Paid Dividend/Dividend History, transaction type 626, with a **T** batch number, will be prepared to insert a corrected pending dividend transaction.

f. When RPO's are generated with reason codes that indicate the dividend rate is not included in the dividend table, the Policy Service Clerk will:

(I) Forward the RPO to the Computers, Miscellaneous Accounts and Service Unit, requesting the rate be furnished.



(2) Upon receipt of the RPO with the dividend rate, and the rate is missing in the master record, VA Fond 29-5892a, Policy Input, or **[VA** Form] 29-8522, Policy, transaction type 082, will be prepared to insert the dividend rate. If the rate is missing in the pending transaction, **VA** Form 29-394 or 29-8528, transaction type 626, with a T batch number, will be prepared to insert a pending dividend transaction containing the rate and a **VA** Form 29-5895a or 29-8526, transaction type 098, to delete the pending dividend transaction that is without a rate.

g. The Supervisor of the Policy Service Unit will review and verify the accuracy of all the completed actions. All actions should be completed within 20 days. A followup will be made on all processed items after 10 workdays.

h. When all the actions have been completed, the generated and current RPO's will be delivered to the Chief, Policy Service Section, with the error listing. The error listing will be disposed of after 60 days.

i. A report showing a list of all RPO's by reason code and number received for each code will be sent to the ;Insurance Policy and Procedures Staff (290A) for review.



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**(4) N prefix only mail should be returned to the sender with our reply.**

**b. If correspondence is identified with other than an N number, the Administrative Division will prepare input to request VA Form 29-5886b, RPO (Insurance Record Printout). If an RPO is generated, the mail will be sent to the Insurance Operations Division for processing. If an RPO is not generated because the insurance record is not on tape, the folder, if available, will be attached and forwarded to the Insurance Division personnel for processing. If the folder is not available, indexing will be accomplished through BIRLS. Any new information furnished by BIRLS will be developed. If BIRLS does not furnish new information or a negative reply is received, a photo copy of the PRC may be requested. If the PRC is not located and additional information is not developed, the correspondent will be advised to the effect that our records indicate the insurance is not in force. The correspondence will be returned with our reply.**

**c. Incoming identified mail is coded in the Administrative Division and is used as a source document to prepare input to request an RPO.**

**(l) Remittance-bearing mail will be sent to the Collections and Cashier Section, Finance Division for processing.**

**(2) Nonremittance bearing mail will be reviewed by designated clerks in the Policy Service Section who will determine if action, other than a simple status reply, is required.**

**(3) If no other action is required, VA Form 29-5899, Request for Record Print Out, or VA Form 29-8529, RPO/Reinstatement/Status, transaction type 980, coded 8 in card column 3l, will be prepared to effect release of VA Form 29-5885, Information About Your Insurance. If the input is rejected, an RPO, reason code 968, will be generated. Upon receipt of the RPO, the VA Form 29-476, Notice of Premium Account Status, will be clerically prepare d.**

**(4) If other action is required (not code 8 mail) the RPO and, if appropriate, the insurance folder will be matched with the correspondence and sent to the operating element responsible for the required action.**

**d. Transaction history prints will be obtained only when necessary.**

**e. Correspondence will be answered by form or form letter provided it contains sufficient information to constitute a complete reply. Otherwise, the reply will be dictated, using MTST (Magnetic Tape Selectric Typewriter) paragraphs whenever possible. The principles of ~S letter writing will always be followed in preparing dictated replies.**

f. Supplemental information for inclusion in the basic reply may be obtained from another operating element, but that information must be in writing. If separate letters are required, **the** basic reply will be released and the case referred to the other element involved, recharging the insurance folder if it is also referred.

g. [The name and address will be placed on the letter so that they may be easily read through the window of the envelope. (See MP-l, pt. II, ch. 10, app. C, sec. B, par. 4.) The initial instead of the full first name may be used on letters, forms and form letters except those released by Medical Determination Section, Insurance Claims Section, and in the Miscellaneous Accounts and Service activity. Exceptions will also be made when the full first name would be more appropriate, as in service addresses or when the last names are of foreign origin. If the inquirer provides a stamped envelope or postage stamps, they will be used, if adequate.

h. When a dictated or MTST letter is being prepared and the beneficiary designation reel number on the master record is 000 00, the insured will be advised of the importance of an up-to-date designation of beneficiary and election of optional settlement. If there is no evidence in the insurance folder that a VA Form 29-336, Designation of Beneficiary and Optional Settlement, was sent within the last 2 years, a VA Form 29-336 will be enclosed with the letter.

CHAPTER 27. CORRESPONDENCE

**27.01 GENERAL**

a. Correspondence is the VA's primary medium of communication and is a major factor in public relations. The quality of correspondence is extremely important and constant emphasis must be placed on such elements as shortness, simplicity, strength, and sincerity. Also, the tone of the letter should be sympathetic and understanding.

b. The use of established VA form letters is limited to the purpose for which each letter was created. *Substantial typewriter alterations of a printed VA form letter to include other situations is discouraged. Instead, a dictated letter should be used.* Minor changes or corrections may be made on form or dictated letters, except congressional or other special mail.

c. Every correspondent will be furnished, insofar as the limitations of the law permit, with a fully informative reply to his or her letter.

d. Routine correspondence which cannot be answered, within 5 workdays after receipt will be acknowledged by the release of a FL 30.

e. When correspondence requiring a reply is to be filed, the file copy of the reply will bear the name or initial of the dictator and/or other persons, if any, who reviewed the reply before release. Letters and all copies will be dated before release. All papers will be securely fastened in the folder before returning a folder to file.

27.02 PROCESSING UNIDENTIFIED MAIL

a. Unidentified mail (no insurance number(s)) received at the Philadelphia and St. Paul VA Centers is indexed locally in the Administrative Division. If local indexing cannot furnish an insurance number, BIRLS (Beneficiary Identification and Records Locator) will be used for indexing by that division.

b. If the item cannot be identified and a complete response cannot be prepared without reference to the insurance records, the Administrative Division will initiate FL 07-2 or a similar type letter to obtain the necessary identifying data from the correspondent. If a complete response is possible, without reference to the insurance records, the letter should he referred to the Insurance Operations Division to be answered, and the inquiry returned to the sender. No file copies will be made in these cases.

c. When an application, designation of beneficiary, or a claim is received and it cannot be identified with an insurance account, a letter will be released immediately to the sender, requesting the reason for the submission of the form or letter. If it develops there is no insurance in force or if no reply is received to our letter within 31 days, the application, designation of beneficiary or claim will be returned to the originator.

27.03 PROCESSING IDENTIFIED MAIL

a. When correspondence is identified with an N insurance number only, it will usually be possible to reply to an inquiry without requesting a photocopy of the N PRC (premium record card). Generally, replies will include one of the following:

(l) Insurance contracts with an N number expired after December 31, 1953; therefore, the insurance is no longer in force.

(2) Since reinstatement of term insurance must be accomplished within 5 years from the date of lapse, and the last of the N-numbered insurance contracts expired December 3I, 1953, the insurance is no longer subject to reinstatement.

(3) By law, claims for dividends on N-numbered contracts may no longer be accepted. (See M29-l, pt. II, par. 6.16d and e.)





c. **When** a VA Form 294337 is not of record, but there is a VA Form 23-22, Appointment of Veterans Service Organization as Claimant's Representative, in favor of the service organization, of record in the [Insurance] folder, either by presence of the form itself or a notation that **the** power of attorney is on file in a regional office or the service organization representative advises that there is a VA Form 23-22 on file in the regional office, the information may be released to the representative.

d. If it is clear from correspondence received from an attorney, trust officer, or insurance agent that he or she is representing the insured, all necessary transactions in connection with the insurance may be accomplished through that person as a matter of courtesy, even though a power of attorney or VA Form 29-4337 is not of record. A copy of our correspondence to the third party will be sent to the insured for information. If there is any question as to whether or not a third party is actually representing the insured, a VA Form 29-4337 will be requested. Simultaneously, the requested information will be sent directly to the insured.

**e., When a proper authorization is of record and ilk third party has requested status or general information not requiring specific action on the part of the insured, such status or information will be furnished directly to the third party without communicating with the insured. If action is required by the insured in order to maintain or protect his or her rights under the policy, the insured will be notified directly, and copies of the correspondence will be sent to the authorized third party.**

f. Information will be released to a third party only as requested by such authorized person. The fact that a VA Form 294337 or its equivalent may be on file does not mean that the third party will be notified automatically concerning transactions between the VA and the insured from time to time. The third party will be given information to which he or she is entitled only upon request.

g. When the authorized third party requests that all correspondence or completed actions be forwarded to him or her the request will generally be complied **with;** however, when it is not practical to do so, he or she will be advised. For example, when a computer-generated policy is sent to the address in the master record, the third party will be advised as to the action ~ taken and the reason we are unable **to** comply with **the** request.

h. VA Forms 294337 and other authorizations will be filed on the left side of the insurance folder, cleated face down and lengthwise, so that they may be folded back over subsequently filed material.

**i.** VA Regulation 507 authorizes that Members of Congress shall be furnished, in their official capacity, information contained in VA files as may be requested for official use. If the congressional mail is accompanied by an unauthorized third party request, the information will not be furnished to the Member of Congress. Information concerning the beneficiary designation

of a United **States** Government Life Insurance or National Service Life Insurance policy is deemed confidential and privileged and during the insured's lifetime shall not be disclosed to anyone other than the insured or a duly appointed fiduciary unless the insured or the fiduciary authorizes the release of such information. The above statement concerning the beneficiary designation during the insured's lifetime relates to releasing **the** information to anyone outside the VA. A beneficiary designation is available to any VA employee who, in line with his or her duties, has need to know such information. Each employee is subject to the provisions of VA Regulation 507 with respect to the release of such information to persons who are not VA employees.

j. **If** the mail is received from a third party and there is no consent or authorization in writing over the insured's signature, flee information or action requested will not be furnished.

**27.05 CONGRESSIONAL, COMPLAINT AND [HIGHLY REPETITIOUS] MAIL**

a. Congressional, VA Congressional Liaison, and White House referrals will be acknowledged within 2 workdays if a complete reply cannot be made within 5 workdays. If a complete reply cannot be made within 3l calendar days, an interim reply will be made **at** the end of **that** period, briefly explaining the reason for delay.

b. All complaint mail including anonymous, obscene and threatening communications will be given priority handling and forwarded directly to the Director's office.

**M29-1,** Part II May 12, 1980
change **16**

c. [Repetitious] mail need not be answered in flagrant cases. when an insured or other correspondent has been informed repeatedly of the status of the case but persists in writing on the same subject without submitting any new facts or evidence, [additional correspondence on the same subject may be initialed "NAN" as further response would serve no useful purpose. Authority to initial such correspondence "NAN" may not be delegated to a supervisor lower than the Chief, Insurance Operations Division. The correspondence marked "NAN" and initialed by the Chief, Insurance Operations Division will be filed in the insurance folder]

27.06 FOREIGN MAIL

a. Correspondence, including computer-generated mail, will be sent direct to the addressees residing outside the continental United States via airmail. This includes persons living in countries where the United States does not maintain diplomatic or consular representation, but excluding the Philippines. Correspondence to addresses in the Republic of the Philippines will be sent by blanket mail to the Manila regional office for remailing. The original of the correspondence only will be furnished, unless extra copies are specifically needed. If the correspondence is to be remailed by registered or certified mail, a VA Form 3230, Reference Slip, will be prepared (typed) to provide these instructions and attached to flee correspondence.

b. The Department of State may be requested to perform specific services, such as arranging for physical examination, making investigations, performing services in connection with registered or certified mail with return receipt requested when the United States maintains diplomatic and consular representation with the country involved. The request should be addressed and mailed directly to flu Foreign Service post having jurisdiction over the locality where the addressee resides. If the consular jurisdiction is unknown, the correspondence should be sent by blanket mail, without an individual envelope, to the Director, Veterans Assistance Service (272), Central Office, for addressing and remailing.

27.07 FEDERAL OR STATE TAX INQUIRIES

a. Generally, the proceeds of Government life insurance and annual dividends are exempt from taxation, except in certain claims of the United States (38 U.S.C. 3101). This exemption does not extend to any property purchased in part or wholly out of such payments. Such proceeds are included in the insured's gross estate for Federal Estate tax purposes. Dividend interest is taxable.

b. If the above will not answer a tax question, the correspondent will be advised to refer his or her question to the Director of Internal Revenue for the area in which the insured resides, or to the State or local authorities, as appropriate.

27.08 SOLDIERS' AND SAILORS' CIVIL RELIEF ACT MAIL

a. VA Forms 29-380, Application for Protection of Commercial Life Insurance Policy, or any other forms or correspondence received which pertain to protection of commercial life insurance under the Soldiers' and Sailors' Civil Relief Act of 1940, as amended, are to be referred to the Office of Chief Actuarial Staff (299), VA Center, Philadelphia. No attempt will be made to identify the correspondent or to associate the material with NSLI (National Service Life Insurance) or USGLI (U.S. Government Life Insurance) records. Immediately upon recognition of such material, it will be transmitted to the Chief Actuary (299), VA Center, Philadelphia, with a covering VA Form 3230 identifying the subject matter.

27.09 SERVICEMEN'S GROUP LIFE INSURANCE

a. when correspondence is received that relates to SGLI (Servicemen's Group Life Insurance) and VGLI (Veterans Group Life Insurance), it will be sent to the Chief, [Insurance] Program Management Division (290), VA Center, Philadelphia for acknowledgment and reply.

b. Congressional correspondence or an inquiry float relates to eligibility, entitlement, or coverage under SGLI (and VGLI) will be acknowledged and sent to the Chief, [Insurance] Program Management Division (290).

c. When the inquiry involves SGLI, VGLI, NSLI and/or USGLI the inquiry pertaining to Government life insurance will be answered by the Insurance Operations Division and the correspondent advised that the additional information will be sent under separate cover. A photocopy will be prepared of the original request. It will be properly annotated as to the action





taken **and** forwarded to Chief, Insurance Program **Management Division (290) for further reply regarding the inquiry for SGLI or** VGLI.

**27.10** VETERANS' MORTGAGE LIFE INSURANCE MAIL

Forms or correspondence that pertain to Veterans' Mortgage Life Insurance which are received in the VA Center, Philadelphia will be **sent** immediately to VA Center (292M), **St.** Paul, with a VA Form 3230 attached, identifying the subject matter. No attempt will be made to identify the correspondent or to associate the material with **NSLI** or USGLI records.

27.11 PROCESSING MAIL ON **A** MISSING VETERAN'S INSURANCE ACCOUNT

a. The criteria to determine responsibility for processing mail on a missing veteran's insurance account are as follows:

(l) Until a determination of death **has** been made or is about to be made, the correspondence will be processed by the Policy Service Section.

(2) After a determination of death has been made the correspondence will be processed by flee **Death** Claims activity. Also, correspondence received shortly before (60 days or less) the usual 7 years of continuous absence will be considered as an informal application for death benefits.

b. **Status** of an insurance account may be furnished when **the** correspondent is **the** beneficiary if it appears that it will serve the best interests of the **missing** insured. Determination as to whether such data would or would not be in **the** insured's best interests must be based on the information available in each case.

(l) If the account is active, the reply to the beneficiary will include a statement about the importance of continuing payments during the period the insured **is** considered missing. In such cases, **the** address of record will be changed to **that** of ~ the beneficiary. (If such action has not been

taken previously, input will be prepared, if necessary, to change **the** dividend ~ option from cash to PL-36.) This will permit the system to release premium notices but will prevent disbursements to the beneficiary. If the beneficiary complains of nonreceipt of dividends, explain **that** he or she is not entitled to receive them.

(2) When the correspondent **is** other than the beneficiary but is eligible to receive the requested information (see par. 27.04), such information will be furnished.

(3) When it is determined that a third party is **not** entitled to **the** requested information, our letter will advise that **the** requested information is considered privileged and confidential (38 **U.S.C.** 3301). However, if the best interests of the insured indicate the advisability of contacting the beneficiary, such a letter will be initiated.

**27.12 COMPLIMENTARY** MAIL

When correspondence is received in the Insurance Operations Division and it contains sincere and spontaneous compliments for the service rendered by the center or another station or the VA in general, it will be photocopied and the photocopy sent to the Assistant Director for Insurance (29), VA Center, Philadelphia.





PROCEDURE FOR CHECK RECERTIFICATION

1. ORGANIZATIONAL ELEMENTS AFFECTED: Insurance Operations Division
Insurance Program
Management Division
Finance Division

2. REFERENCE: M29-1, Part II, Chapter 27.14, Chapter 6.18.

**3 PURPOSE: To furnish new procedures for processing claims by payees (insured's) or beneficiaries) alleging nonreceipt, loss, theft, destruction, mutilation or forgery of U.S. Treasury checks. The effective date of Treasury's new Check Recertification System is July 9, 1984. VA** Form **Letters 4-162 and 4-163 are rescinded as of July 6, 1984. Standard Form (SF) 1184, Unavailable Check Cancellation rev. 6-84 will be used for nonreceipt procedures effective July 6, 1984. SF 1180, Request for Stop Payment, and SF 1181, Request for Removal of Stop Payment, are also rescinded as of July 9, 1984.**

4. PROCEDURE:

**A. Insurance Operations Division:**

**(1) Policy Service Technicians and Insurance Awards Accounts Clerks will complete an** SF **1184 (see Attachment 1) when:**

a. The payee claims nonreceipt of his/her U.S. Treasury check.

b. The payee's check has been lost, stolen, destroyed, mutilated or forged.

c. The payee is no longer entitled to proceeds **of** the check.

e.g. Payee died before the issue date.

d. A photocopy or the payment status **of** the check is needed for administrative purposes.

(2) An **SF** 1184 is to be completed as follows:

a. CK Symbol - Leave blank.

b. CK Serial - Leave blank.

**NOTE:** CK Symbol and CK Range are to be typed at top of block entitled **"For** Agency Use."

c. CK Amount - Enter the full amount of the check authorized.

**d. CK Date - Enter six (6) digit number for year (two digits), month (two digits), and day (two digits).**

**e. Agency/Payee Identification Number - Enter insurance file number.**

**f. Line Code - Enter total number of lines in payee `s name and address.**

**g. Stop Code - Enter appropriate one letter stop reason code:**

- Payee entitled; do not issue substitute.
- Deceased.
- Nonentitlement; payee not entitled to all or part of the proceeds of the check.
- Lost or stolen; endorsed by payee.
- Photocopy.

**h. Agency Code - Enter the letter "V".**

**i. Payee Name - Enter payee `s name on first line.**

**j. Address - Enter payee's address.**

k. Name of Decedent - Enter name of decedent when stop reason code is "E".

l. Date of Death - Enter date of death when stop reason code is "E".

m. Amount to be Reclaimed - Enter full amount of check.

n. Agency Location Code - Enter 36 00 0310.

o. Agency Output - Enter the number "2".

p. Agency Reference - This is a 19 digit combination number developed for cross referencing. Enter as follows:

First two digits - Year. Digits 3, 4, 5 - Julian Date. Digit 6 - "1" (Insurance). Digits 7, 8, 9, 10 - Sequence Number (Assigned by Control Clerk).

Digits 11, 12. 13 - Station Number "310". Digits 14, 15, 16 - Originating Element *e.g. 292 - Policy Service. Digits 17, 18, 19, 20 - Type of Payment:*

Dividend - "DIV"
Loan - "LOAN"
Matured Endowment -
Death Award - "DAWD"
TDIP Payment - "`I'D 1P"
Premium Refund - "PREM"

**(3) The** SF **1184 is a four part carbon form which must be typed and signed by the station's Fiscal Officer. A photocopy of the completed original SF 1184 must be kept on file by the section chief's secretary (Policy Service or Death Claims). The entire SF 1184 will be forwarded from the Insurance Operations Division to the Finance Division (241) for the Fiscal Officer's signature. The Finance Division will retain the "Administrative Agency Copy" and forward the Original, Disbursing Office Copy and Agency Receipt Copy to the Treasury Disbursing Office. All responses from the Treasury will be received by Finance Division (241) and forwarded to Insurance Operations.**

**(4) The Treasury's Disbursing Office will search their records and, based on their findings, will mark the appropriate box in the "For D.O. Use" block, return the "Agency Receipt Copy" to this station and forward the original to the Division of Check Claims (DCC).**

**(5) The DCC will process the SF 1184 and notify this station (Finance Division) of the check's status by means of a DAS (Daily Advice of Status) form. A "Status Message" will be provided which indicates the payment status of the check and the action to be taken by Treasury (see Attachment 2).**

**(6) Incorrect or illegible SF 1184's will be returned by the Treasury using an above mentioned DAS. The "Status Message" will indicate the reason for rejection and a corrected SF 1184 will have to be submitted.**

**(7) When the DAS contains Status Message Code - 32; OUTSTANDING - CHECK CANCELLED, it means that this check has not been cashed and Treasury has canceled the check in order to issue a credit to the VA. The Technician/Accounts Clerk will refer the SF 1184 photocopy and DAS to their immediate supervisor for authorization on issuing a replacement check.**

**(8) If the check has been paid, the DAS will contain Status Message Code 11, 13, 14, 15, 16, 17 or 18 (see Attachment 3), a photocopy of the paid check, a Claim Form (see Attachment 4) and a Claims Document (see Attachment 5) will be provided. Photocopies are usually available within 60 days.**

(9) **Upon receipt in this station of the photocopy of the paid check, the Claim Form and the Claims Document, the Technician/Accounts Clerk will make a photocopy of the check. One photocopy of the check and the Claim Form will be sent to the claimant. The Claims Document and remaining photocopy of the check will be kept on file by the section chief's secretary (Control Clerk). Mailing labels will be provided by the Treasury on the Claims Document.**

**(10) If the claimant contends that the signature on the check is not his, he must complete, sign and return the Claim Form. When it is received in the Insurance Activity, it will be reviewed by the Technician/Accounts Clerk to ensure that: (a) all questions have been answered; (b) the payee (or both payees, if the check is drawn jointly) has signed the claim in the required places; and (c) the payee's signature has been witnessed.**

**(11) Properly completed Claim Forms will be forwarded to DCC with the DCC Copy of the Claims Document and the photocopy of the check in the business reply envelope provided by DCC. The copy of the Claim Form marked "Agency Copy" will be retained in the section chief's log since it will be needed to request any follow-up information on a claim.**

**(12) The DCC will analyze the payee's signature** and **other information on the Claim Form to determine the validity of the claim. If DCC determines that the payee was involved in the negotiation of the check, the claim is denied and this station will be notified by means of the Claims Disposition Notice (see Attachment 6) that the payee was involved. The Technician/Accounts Clerk will notify the claimant by mail of the Treasury's finding.**

**(13) If the payee states that he never lived or received mail at the address on the check, the photocopy of the check and the claim form should be forwarded to the Insurance Program Management Division (290A).**

**(14) In the event that the photocopy of the check is not available after 60 days and the Stop Reason Code indicated a nonreceipt situation. DCC will send a Modified Claim Form (see Attachment 7) to this Center. This form will then be sent to the claimant. If the claimant continues to allege noninvolvement in the negotiation of the check, he/she will complete and return the Modified Claim Form. Upon receipt of this form in the proper Insurance Operations' Section, the Technician/Accounts Clerk will review this form for completeness and forward it to DCC. An incomplete form would be returned to the claimant for completion. A copy of the Modified Claim Form will be inserted in the insured's file and a check in the amount of the claim will be authorized.**

**(15) In situations other than nonreceipt where the photocopy is unavailable after 60 days, DCC will notify the station that no further action can be taken by Treasury. Forward all information and documents to the Insurance Program Management Division (290).**

**(16) In the event that a replacement check has been authorized and subsequently the payee admits to negotiating the original but contends nonreceipt of the replacement, an SF 1184 will be prepared with Stop Reason Code F. If the check has been paid, a photocopy of the check, Claim Form and Claims Document will be sent to this station and processed as described in paragraphs 9 through 14.**

**(17) If DCC determines that the payee does not appear to have been involved in the negotiation of the check, this station will be notified by means of the Claims Disposition Notice to reissue payments in settlement of claims which appear to be in order. We will be notified if further investigation is required on the claim and again when the investigation is completed.**

**(18) All payments will be authorized on VA Form 4-706.**

**5. RECISSION: None**

R. J. VOGEL
Director

Distribution:
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E1-2-3
F1-4-6-8-12-15_21_22_25_30

27.13 POSTAL SERVICE FORM 3577, CORRECTION OF ERROR IN ADDRESS

a. When the Postal Service makes a service adjustment (change of ZIP code, house number, name of street), which causes realignment of delivery service affecting the mailing address of an insured, notification of such change is received on Postal Service Form 3577.

b. Change of address is authorized upon receipt of Postal Service Form 3577. Policyholders' and other payees' records will be changed accordingly.

27.14 PROCESSING MAIL CONCERNING CHECK INFORMATION ON DISBURSEMENTS

When an insured claims nonreceipt of a recently authorized disbursement, a FL 29481 will be prepared, if appropriate.

**b. If the insured has had sufficient time to receive the check since it was authorized and the claim is within 6 years from the date of issue, prepare FL 4162 if the insured claims non-receipt and a Fl4-162 if he or she claims the check was lost or destroyed. The form letters will be completed as outlined in paragraph 6.18.**

c. For off-tape payments made during the current or preceding fiscal year, the FL 4-162 and FL 4-163 be prepared in the usual manner and routed to the Accounting Section, Finance Division for entering the check number. For all prior fiscal year payments the form letter will be routed to the Records Management Unit, Administrative Division for entering the check number(s).

d. Effective February l, 1975, the Philadelphia Disbursing Center converted to the Treasury Department's OCR (Optical Character Recognition) System for processing vouchers and schedules of payments. Therefore, all miscellaneous (off-tape) payments previously processed by the Philadelphia Center will be processed by the Washington Disbursing Center. In these cases, when a FL 4-162 and FL 4-163 prepared for nonreceipt or loss of a check, the form letter should be mailed to the appropriate Disbursing Center.

27.15 NOTICE OF BANKRUPTCY PETITIONS

a. Periodically, notices of bankruptcy will be received from U. S. District Courts. Generally, these notices do not describe the nature of the debt. However, the majority of notices are the result of the bankrupt declaring a loan on Government Insurance as a debt, and lists the VA with the court as one of his or her creditors. Notices of this type require no action, and will be filed (NAN) in the insurance folder.

b. When insurance records disclose the existence of an overpayment indebtedness such as dividend overpayments, compensation or pension overpayments, an award overpayment to a beneficiary, or a loan guaranty indebtedness, the notice of bankruptcy will be forwarded to the Chief, Insurance Operations Division, who will determine whether the notice should be directed to the District Counsel. A 3230 will be attached identifying the subject matter.

27.16 PROCESSING CORRESPONDENCE INDICATING DISABILITY, INJURY, OR ILLNESS

a. When information is received from an insured or a third party indicating disability, illness or injury of the insured, the following action will be taken:

(I) If not previously released, a VA Form 29-357c, Claim for Disability Insurance Benefits, will be sent to the insured. Note letter or source of information VA Form 29-357c released (date).

(2) If previous action was taken to release the form, note the current correspondence.

b. The correspondence will be filed in the insurance folder.]

**Veterans Administration Center** **Change #1**
**Philadelphia, Pa. 19101** **Insurance Division Memorandum 69-106**
**February 15, 1972**

# *PROCESSING OF VA FORMS 29-178. REQUEST FOR INSURANCE STATUS*

1. ORGANIZATIONAL ELEMENTS AFFECTED: Insurance Division

2. REFERENCES: Letter Field Director, Area #3 (2OIC) dated January 21, 1972.

3. PURPOSE: To amend the basic instructions due to "N" insurance folders being placed in dead storage.

4. PROCEDURE:

**a. Delete paragraph 4b(l)(a) of the basic memorandum and substitute the following:**

"(a) Complete all items in Part III of the VA Form 29-178. File the duplicate in the folder and release the original to the originating office. When "N" insurance only is involved return both copies to the originating office if received in duplicate."

Insurance Officer

DISTRIBUTION:
A-I
C-l
D-l

F-l-2-4-5-8-9-lO-12-l3-14-19-24-25-26-27-3O
J-2
R-l-2
5-1
T-2

**M29-1, Part ll**
Advance Manual Change No.
12-83 December 6, 1983

Chapter 28 -
Administrative Adjustments

A. Change: M29-1, Part ll, Chapter 28. This advance manual change is issued in conjunction with advance manual changes 7-83 in M29-1, Part l, and 11-83 in M29-1, Part fl concerning conversions of Five-Year Limited Convertible Term insurance.

**B. Procedure: Page 28-1, paragraph 28.03, eliminate subparagraphs b and c and substitute the following:**

b. Applications for conversion made within 61 days from the termination date of the term policy will be considered timely filed and will be processed without special development. The application date will be the postmark date if the application is mailed, the earliest VA receiving stamp if it is otherwise delivered, or the date of execution if it is received through military channels.

c. Conversion applications made more than 61 days from the termination date will be considered untimely. However, if the conversion was applied for within 180 days from termination, a decision to extend the conversion period may be made by the Chief, Insurance Operations Division (Philadelphia) or the Chief, Insurance

w Division (St. Paul). If the conversion application was made more than 180 days after the termination date, a decision to extend the

conversion period may be made by the Chief, Insurance Program Management Division. Refer to paragraph 36.20(c) for an explanation of the factors which may be considered as a basis for extending the conversion period.

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

**ROBERT W.**

**CAREY**

**Assistant**

**Director for Insurance**

**DISTRIBUTIO**

**N:**

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

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# CHAPTER 28. ADMINISTRATIVE ADJUSTMENTS

## 28.01 GENERAL

a. Administrative adjustments will be provided when an insured, after making application for a change, submits a request for cancellation of the change within an established period and provides a plausible explanation for his misunderstanding. Adjustments may also be made when the insured is not furnished proper notification 7 and/or information on any phase off insurance, depending on all the facts and circumstances involved.

b. Administrative adjustments may be allowed when the insured is furnished erroneous information or an error is made in processing His account which places the insured in a worse position than would have occupied. An error is any improper action or failure to act, not necessarily financial in nature, which may adversely affect `~ either; (l) the veteran or ~ family; or (2) the Government or the insurance fund. Any adjustment is always dependent on the circumstances pertaining to the individual case.

c. When it is determined that a case should be considered for possible administrative adjustment, and there is \7 no authority of record to make the adjustment locally, the case will be sent to the Assistant Insurance Director for Insurance (29), VA Center, Philadelphia, for consideration.

## 28.02 **CHECKS OR** DRAFTS NOT HONORED BY THE BANK

a. Where a timely premium payment is made by check or draft which is not paid upon presentation, and evidence shows that such nonpayment is due to error on the part of the bank on which the item was drawn, the insured may be given 3l days from the date of notice to send an amount sufficient to pay all premiums due, through the current month. (However, since uncollectible remittances are automatically redeposited by Federal Reserve Banks, the 31-day period will not be offered unless the remitter states that the dishonoring action was due to error on the part of the bank and the error is confirmed.)

b. Where a check or draft is returned unpaid because the bank on which it was drawn is closed, or where a check, draft or money order has been lost or destroyed after deposit by the VA, the insured will be given 31 days from the date of notice to send a replacement payment.

c. VA Form 29A499a, Notice-Payment Not Applied, will be used to communicate with the insured. For instructions on completing the VA Form 29A499a see chapter 2, paragraph 2.03f.

28.03 CONVERSION OF 5-YEAR LIMITED CONVERTIBLE TERM INSURANCE

a. A W 5-year Convertible Term policy may not be renewed after the term period in which the insured reaches age 50. One year prior to the expiry date of the final term period, the insured is notified that if he wishes to keep his insurance in force must convert to a permanent plan on or before the ending date of that 5-year term period. If the term insurance is not converted, another notification is released to the insured 90 days prior to the expiry date of the term insurance.

b. When the 90-day notification was not released and the expiry date of the term policy has passed or less than 3l days remain in the term period, a dictated letter will be released to the insured advising him that he has 3l days from the date of the letter to meet conversion requirements. He will also be told the effective date of the permanent plan will be the day following the expiry date of the final term period.

c. When the insured continues to pay premiums on the term policy after the expiry date of the final term period and they are accepted, a dictated letter will be released to the insured advising he/she has 31 days from the date of the letter to meet conversion requirements. He/she will also be told the effective date of the permanent plan will be the day following the expiry date of the term policy. Premiums paid and accepted after the expiry date of the final term period are earned premiums and are not subject to refund or credit.





28.04

REVIVAL OF **INSURANCE AND TDIP**

*When **a** report of death or of total disability or of total permanent disability is received and one or more of the insured's policies is lapsed, consideration should be given to revival of the insurance under the following authorities, and in the order listed.*

**a. If the soil reason death, total permanent or total disability benefits under a policy cannot be granted is**

that the policy is lapsed, the insurance will be considered in force on the date of death or date of commencement $ of total permanent or total disability if the following provisions apply.

**(I) The policyholder dies or becomes totally or totally and permanently disabled within 61 days of the due date of the premium in default, and**

**(2) The policy prior to the lapse has been in force for 5 years or more. In determining in-force status under this subparagraph if the original effective date of the insurance (when necessary, include predecessor contracts involving renewal, conversion or replacement/reinstatement under 38 U.S.C. 781) is 5 years or more earlier than the date of death or date of total or total and permanent disability and during the 5 years immediately preceding the date of lapse the insurance has not been lapsed at any one time in excess of *6* months, the requirement will be satisfied. When insurance is considered in force under this subparagraph, the amount of the monthly premium due on the date of lapse and the following monthly premium(s) will become a lien against the policy.**

**(3) The provisions of this subparagraph may be applied if, on the date of death, the insurance is in force under the extended term insurance provision and a policy loan was outstanding on the date of lapse or a dividend deposit balance was included in the cash value as determined at time of lapse (VA Regulations 3019(B) and 3407.3(B)).**

**b. If the provisions of subparagraph a above do not apply, the insurance will be considered in force under premium-paying conditions on the date of death or the date of commencement of total permanent or total disability if the following provisions apply.**

**(I) On the date of lapse there were accrued dividends, not then payable, resulting from premiums paid since the last anniversary date of the policy and such dividends are equal to or greater in amount than the total of the monthly premiums which have become due from and including the date of lapse to the date of death or date of commencement of total permanent or total disability, and/or**

**(2) At the end of the grace period for the unpaid premium causing lapse there were due and payable to the policyholder unpaid dividends, refundable premiums, pure insurance risk credits, other refundable credits or total permanent or total disability benefit payments arising from the policyholder's USGLI (U.S. Government Life Insurance) or NSLI (National Service Life Insurance) which are equal to or greater in amount than the total of the monthly premiums which have become due from and including the date of lapse to the date of death or date of commencement of total permanent or total disability.**

**(3) For purposes of subparagraph b above, amounts under subparagraphs (l) and (2) above may be combined. In that case, the amount, if any, of dividend accrued under subparagraph (l) above will first be determined and the amount available under subparagraph (2) above, if any, will be added thereto for the purpose of determining if the total amount available is equal to or greater than the total of monthly premiums which have become due.**

**(4) In determining the amount of monthly premiums which have become due under subparagraphs (l) and (2) above, a shortage of 10 percent per monthly premium may be allowed for a period not to exceed 3 months.**

(5) In determining the monthly premiums which become due for adjustment purposes under subparagraphs (1) and (2) above, the premium for the monthly due date immediately preceding the date of death or date of commencement of total permanent or total disability may be omitted because of the coverage provided

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by the allowable grace period and if the conditions of subparagraph a above are met, the premium for the second due date immediately preceding the date of death or date of commencement of total permanent or total disability may be omitted.

*(6)* When a policy is deemed in force under premium-paying conditions by operation of subparagraph b above, the amount of any shortage included in the calculation and the premium for any monthly due date omitted in the calculation will become a lien against the policy.

(7) The provisions of subparagraph b above may be applied if, on the date of death, the insurance is in force under the extended term insurance provision and policy loan was outstanding on the date of lapse or a dividend deposit balance was included in the cash value as determined at time of lapse.

(8) If accrued dividends under subparagraph (l) above and/or amounts due and payable under subparagraph (2) above exist in connection with more than one policy of the same insured and one or more policies lapsed prior to the date of death or date of commencement of total permanent or total disability, the amounts available will be related first to the policy or policies on which they arose if such policy or policies are lapsed. Any amount available under subparagraphs (l) and (2) which is not required to place in force the policy upon which it arose or which is insufficient to place in force the policy upon which it arose, may be combined with similar amounts available on any other policy whenever the total of such amounts is sufficient to place another policy in force.

(9) ~ more than one policy is involved and credits are not needed or are insufficient to revive the policy on which the credits arose, the credits will be used insofar as they are sufficient to revive the policy or policies under which the most insurance is payable.

(l0) No TDIP (Total Disability Income Provision) will be considered in force under this subparagraph b unless it lapsed at the same time as the life insurance contract and both the life insurance and total disability income provision can be considered in force through the same date and benefits are payable under the total disability income provision. An exception will be a paid in-full limited pay contract on which TDIP premiums continue to be due and payable.

(II) When a TDIP lapsed at the same time as the life insurance, the premium for the provision will be considered separately in determining if the amounts available are equal to or in excess of the monthly premiums which have become due. In such a case if the amounts available are sufficient, both the life insurance and the provision will be revived. If the amounts are insufficient for that purpose, they will be applied to revive the policy or policies with the greatest amount payable in death cases or the policy or policies providing the greatest life insurance and total disability benefit in total disability cases.

(12) Accrued dividends and/or credits on any policy of USGLI or NSLI held by the policyholder may be considered for the purpose of subparagraph b above. (VA Regulations 3019 and 3407.3(A).)

c. If the provisions of subparagraphs a and b above do not apply, the insurance may be reinstated if the following provisions apply.

If the insurance becomes a claim after the tender of the amount necessary to meet reinstatement requirements but before full compliance with the requirements of submitting a written application signed by the insured and during his lifetime and furnishing evidence of health, and the applicant was in the required state of health at the date that he made the tender of the amount necessary to meet reinstatement requirements, and that there is satisfactory reason for his noncompliance, the Chief, Operations Division, VA Center, Philadelphia and the Insurance Officer, VA Center, St. Paul, may, if the applicant be dead, waive any or all requirements of reinstatement (except payment of the necessary premiums) or, if the applicant be living, allow compliance with the requirements of reinstatement as of the date the required amount necessary to reinstate was received by the VA. (VA Regulations 3080 and 3424).

d. If none of the foregoing adjustments apply, determine if there were circumstances surrounding the lapse of the insurance or the subsequently rejected or disapproved reinstatement application which might form the basis





for possible administrative adjustment. When it is believed circumstances of this type exist, the file and a statement of the facts should be forwarded to the Chief, Program Management Division (290), VA Center, Philadelphia, for consideration.

e. If it is determined the insurance was in force, a memorandum or worksheet detailing the adjustment and the authority will be prepared and included in the insurance folder. Any amount, including amounts refunded in error, necessary to complete payment of all monthly premiums which became due prior to death will be reported for deduction from settlement under the policy. Original or supplemental VA Form 29-368d, Report of Status for Settlement of Death Claims, will be prepared with coverage dates and amounts to be collected being shown based on the adjustment. The VA Form 29-368d will be noted to show that the account has been adjusted and the authority for the adjustment.

f. Accrued dividends or amounts due and payable prior to the last day of coverage which cannot be used to place the insurance in force at death, should be reported together with any other credits for disposition.

g. If the amounts available would not put the insurance in force at death but would pay the month of lapse and any later months, prepare a memorandum or worksheet detailing the possible adjustment and the authority for it and file in the insurance folder. VA Form 29-368d, original or supplemental, will be prepared reflecting the status of the account without adjustment and noted-Benefits ***may be payable if TD before*** _____
**The date to be inserted is the last day of the grace period for the first premium which would become due if the amounts available were applied.**

h. When reporting status for total permanent or total disability claims purposes on a lapsed account, the same consideration should be given to possible adjustment. If it appears that the month of lapse and any later month could be considered paid if the date of commencement of total permanent or total disability fell therein or within the following grace period, the report of status should include the statement-For disability purposes the lapse date shown can be advanced.

i. In such cases, if the Insurance Claims Section finds that total permanent or total disability commenced when the insurance was lapsed, according to the status report, it will return the file to the Accounts activity. A covering memorandum will indicate the commencement date of total permanent or total disability and request a decision as to the last monthly premium which could be considered paid under any authority.

j. Upon receipt of such a case the Accounts activity will, after applying the different authorities as listed in subparagraphs a through d above, return the case to the Insurance Claim Section with a statement that the account can or cannot be considered in force on the commencement date of total permanent or total disability. A copy of the memorandum, including details and authority will be filed in the insurance folder. When an award is made, any necessary collection will be effected from the amounts payable to the insured or alternatively, liens will be established, if necessary.

k. When it is possible to consider insurance in force to date of death or date of commencement of total permanent or total disability, the master record will be updated, established if necessary, in the same way that the account would be adjusted if the amounts were available or liens were applied in the regular course of business.

**28.05 ALLOTMENT FROM** RETIRED PAY INVOLUNTARILY TERMINATED

a. When an allotment from retired pay is involuntarily suspended by a service department because the retiree is missing, coverage will be deemed to have been continuous as long as retirement pay deductions would have been in order, except for the service department's procedure in suspending the deduction because the retiree's whereabouts is unknown and as long as the deductions were sufficient to pay the premium.

b. As soon as the policyholder's whereabouts becomes known, the account will be adjusted by:

(l) Prompt payment of arrearage or, if requested, establishment of premium lien, and

(2) Resumption of premium payments.





28.06 LOST OR DELAYED MAIL

a. When an insured or a third party claims to have placed a remittance or document in a U.S. mail receptacle on a specified date, which is before the postmark date shown on the envelope containing the payment, the claimant must present evidence and/or statements by other persons witnessing or having knowledge of the mailing in the form of a certified statement of the facts and circumstances which may be of assistance to any investigation conducted by the VA.

b. When the insured or a third party claims to have mailed to the VA a remittance in payment of premiums and any other documents and there is no record of receipt in the VA, the insured or such other person must present a certified statement of the facts and circumstances. When the statement is submitted by someone other than the insured, it must include a declaration to show whether or not the insured is

alive. From such evidence, the VA may be able to establish that the remittance or document in question was actually mailed and became lost.

c. For the insured or a third party to establish that a remittance or document was mailed on a date before the postmark date on the envelope in which the remittance or document was received or that the remittance or document was actually mailed and became lost, he must furnish the following information in the form of a certified statement:

**(l) A detailed description of the remittance (check, draft, postal money order), including the amount and purpose for which it was sent. (Supply policy number.)**

**(2) Address of the VA office appearing on the envelope in which the remittance or document was enclosed.**

(3) The date and approximate hour the envelope containing the remittance or document was placed in the U.S. mail. Also, the exact location of the letterbox, mail chute, or other official mail receptacle in which the envelope was deposited.

(4) The name and address of any person having actual knowledge of the mailing of the envelope addressed to the VA and containing the remittance.

d. The person supplying the foregoing information should be advised that it is for the use of the VA in making investigation.

e. If the insured is alive, certified statements concerning lost remittances must be accompanied by a replacement remittance of like amount to that being reported lost in order to receive consideration.

f. When processing certified statements of lost or delayed remittances or documents, the postmaster's statement is not a prerequisite to adjustment and will not be obtained unless the approving authority determines such additional evidence is required.

g. Place all documents pertaining to such transactions, except the replacement remittance, in the insurance folder.

h. Approval of statements of lost or delayed remittances for premiums on NSLI or USGLI and/or delayed documents is restricted to the Chief, Operations Division and the Chiefs of the Medical Determination Section and the Policy Service Sections in VA Center, Philadelphia.

**i.** When statements about a lost or delayed remittance are received, release a letter to the policyholder. The policyholder will be told of the necessary requirements and that in order to protect his [or her] insurance, pending development of the lost and/or delayed remittance, an application for reinstatement should be submitted, if in order. Also, that he [or she] should continue to remit premiums when due.

28.07 PAYMENT TO INSURED WITHOUT FOLDER

When a credit is due the insured as a result of a change of plan, a reduction, a cash surrender or a matured endowment and the folder cannot be located, payment may be authorized by the Chief, Insurance Operations Division (291), VA Center, Philadelphia and the Insurance Office, VA Center, St. Paul.

28.08 CANCELLATION OF PAID-UP ADDITIONS DIVIDEND OPTION

a. When a dividend option has been changed to paid-up additions and not more than one dividend has been applied to purchase the paid up additions, the option may be canceled and the paid-up additions reversed so the dividend may be applied under the option of record prior to the change, under the following conditions:

(l) Insured complains that he [or she] misunderstood the option, or

(2) Change of option initiated by a third party and the insured states he [or she] did not want the paid-up additions.

b. When the paid-up additions option is selected by an incompetent insured, his [or her] guardian or a third party acting for him [or her] and at a later date he [or she] recovers and states he [or she] did not want the paid-up additions, the option will be canceled and the paid-up additions reversed so the dividends may be applied under the dividend option of record prior to the change.

28.09 REDUCTION OF INSURANCE

a. A request in terms for *cancellation, reduction, discontinuance,* or, as is sometimes used by insureds, for *surrender* of term insurance would not necessarily have the effect of terminating protection immediately. If the insured requests reduction and specifies the premium due date on which the reduction is to become effective and the premiums are currently paid, he [or she] will be protected for the full amount of the policy during the grace period (3l days) following the premium due date on which the reduction becomes effective. The insured may, at any time within the grace period, remit the full premium on the original amount of the policy, thereby canceling the request for reduction. If death occurs or if entitlement to disability insurance benefits is found to exist within the grace period, the claim would be settled on the basis of the original amount of the policy and not the reduced amount.

b. Serious problems may arise in cases involving reductions if the insured fails to state clearly the amount of insurance to be retained and the premium due date the reduction is to become effective. In such instances, the insured should be contacted promptly to obtain clarification of his [or her] intent. If an insured requests reduction of his [or her] insurance to become effective on the next premium due date, remitting premiums in advance on the reduced amount, protection under the full amount of insurance is afforded during the grace period, but if death occurs after the expiration of the grace period, the claim will be settled on the basis of the reduced amount of insurance notwithstanding there is a credit sufficient to pay premiums on the full amount of the insurance to the date of the insured's death.

[28.10 REDUCTION OF JR AND JS PREMIUMS

a. Consideration will be given to reducing a premium rate on a JR, JS or changing a JR to a J policy when:

(l) A letter from the insured is received with or without a physical examination report requesting reconsideration of the premium rate because of improved health; or

(2) The insured informs the VA that a commercial life insurance policy has been purchased at standard premium rates; or

(3) The insured submits an application for TDIP and/or change of plan with a lower reserve and the medical evidence thereon shows that the insured is in good health and the application is acceptable.



**b. The inquiry and/or application will be acknowledged and the material including the insurance folder and claim folder, if any, will be forwarded to the Chief, Program Management Division (290), VA Center Philadelphia, for further development, review and decision.**

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

**(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:**

**(l) VA Form 29-8527, Accounting Control, transaction type 099, reason code 07, to delete the JR master record from tape.**

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

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

NOTE: If the insured has an existing account on the insurance master record, the above documents are not prepared.

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

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

**(6) VA Form 29-8527, transaction type 089, reason code 07, debiting control account 7-53 and cradling control account 7-39. If the reserve of the JR policy is less than the reserve on the J policy, the full amount of the JR reserve will be transferred to the J fund as reserve.**

**(7) VA Form 29-8526, Pending Transaction, transaction type 008, to transfer the difference in reserve from JR to J as a pending refund, showing control account life fund 8, account 39, to life fund 7, account 16.**

**(8) VA Form 29-8530, life/Miscellaneous, to issue a J policy.**

**(9) Any other input documents for any optional segments of the master record which appeared on the JR contract prior to being purged, i.e., loan, lien, etc.**

NOTE: The input documents prepared as described in sub paragraph (2) through (9) must be sorted after the Purge of the JR master record; therefore, the last three digits of the J policy number must be entered on each insert input and coded for a second day release.

**(10) Prepare a dictated letter to provide the insured with the current status of the policy. New premium notices will be enclosed and the insured advised to destroy the old premium notices and the old policy. The insured will be requested to indicate the disposition of any pending refund. The insured will not be requested to pay any reserve shortage.**

**e. If the request for consideration of a lower premium rate is denied, the insured will be advised and the reason or reasons for such a decision. The insured will also be furnished appeal rights.**



28.11 RESTORATION OF TDIP AGE 60 RIDERS ON FULLY PAID-UP CONTRACTS

a. When an insured has not reached his or her 60th birthday on a paid-up Age 60 **TDIP** and exchanges for the Age 65 rider and later lapses and fails to reinstate, after normal lapse procedures have been followed, the Age 60 rider will be restored. Premiums paid on the Age 65 rider will not be refunded. Change the TDIP segment in the master record and notify the insured of our action and that he or she now has coverage on the **TDIP** to Age 60. The Age 65 rider is subject to reinstatement if the insured meets all of the requirements.

b. If after an exchange the insured tells us that he or she did not understand the new rider and makes it clear that a request for an exchange would not have been made had it been known that additional premium payments for the TDIP were required, the Age 60 rider will be restored. Payments tendered for the Age 65 rider, if any, will be refunded. The insured will not be allowed to reinstate the Age 65 rider at a later date. Change the TDIP segment in the master record and notify the insured of our action and that he or she now has coverage on the TDIP to Age 60 only.

c. The record printout will be noted to show the action taken and filed in the folder.]

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1986 ALLOTMENT PROCESSING SCHEDULE

1. ORGANIZATIONAL ELEMENTS AFFECTED: Insurance Operations Div. - VAROIC
Operations Division - VARDPC

2. REFERENCES: M29-1, Part II, Chapter 29

**3. PURPOSE: To furnish 1986 cut-off dates covering the preparation and transmission of the monthly magnetic transaction tape to the appropriate Service Departments. The Service Departments are: Army, Navy, Air Force, Marine Corps, Coast Guard, Army Retired and Air Force Retired.**

4. PROCEDURE:

a. The monthly magnetic transaction tape will be transmitted in the calendar month preceding the accounting month during which the transactions are to be effected.

b. Allotment requests stored in the Temporary Data File on the Insurance Terminal System will be sent to the Input Unit, Philadelphia DPC in accordance with the following cut-off schedule:

| MONTH ALLOTMENT REQUESTS GENERATED | REGISTER ENTER ADP BY SERVICE DEPARTMENTS MAILED TO |
|---|---|

JAN. 1986 01-03-86

01-03-86 01-06-86

FEB. 1986 02-05 02-05

02-06

MAR. 1986 03-05 03-05

03-06

APR. 1986 04-03 04-03

04-04

NAY 1986 05-05 05-05

05-06

JUN. 1986 06-05 06-05

06-06

JULY 1986 07-02 07-02

07-03

AUG. 1986 08-05 08-05

08-06

SEPT. 1986 09-04 09-04

09-05

OCT. 1986 10-03 10-03

10-06

NOV. 1986 11-05 11-05

11-06

DEC. 1986 12-04 12-04

12-05

*2.*

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

ROBERT W. CAREY

Director

*DISTRIBUTION:*
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# CHAPTER 29. ALLOTMENT ACCOUNTS

## 29.01 GENERAL

a. Personnel on active duty and retired members of the Armed Forces who have United States Government Life Insurance and/or National Service Life Insurance can pay their insurance premiums, including TDIP (Total Disability Income Provision) premiums, by authorizing [the VA to establish a Class N insurance allotment from their active service or retired pay.

b. Class N insurance allotments cannot be established by the service number or retiree to pay premiums for a third-party policyholder.

c. Personnel on active duty can also repay insurance policy loan/lien indebtedness by a Class N allotment from their active service pay. Current Department of Defense regulations [also permit the establishment of a Class N allotment from retired pay for this purpose. Inquiries regarding the possible establishment of an allotment for repayment of insurance policy loan/lien indebtedness should be answered accordingly. [ j

d. Only one monthly Class N insurance allotment for each insured is permitted. Class N allotments authorized by the insured for payment of multiple-policy premiums and/or insurance policy loan/lien indebtedness are combined by the service department finance center before being reported to the VA.

e. All insurance accounts for which Class N [ i allotments have been established are maintained by the Philadelphia VA center. If an insured notifies the St. Paul VA center that a Class N [ ] allotment is being established and the insurance records are in that office,

[ j a 90-day 951 policy callup freeze will be inserted in the master record and all insurance records will be immediately transferred to the Philadelphia VA center. If the insurance records cannot be located in the St. Paul VA center, the insured's notification of intent to establish [ ~ an allotment will be forwarded to the Philadelphia VA center. [In either case, the insured will be notified

29.02 REPORTING OF ALLOTMENT TRANSACTIONS

a. As tabulated below, a single [ ] reporting office code [ ] has been assigned to each branch of service:

| **Reporting Office** Code [ ] | **Service** Department | **Location of** Finance Center |
|---|---|---|
| 1 | Army (active service) | Indianapolis, IN |
| 2 | Navy | Cleveland, OH |
| 3 | Air Force | Denver, CO |
| 4 | Marine Corps | Kansas City, MO |
| 5 | Coast Guard | Washington, DC |
| 6 | Army (retired pay) | Indianapolis, IN |
| | Air Force (retired pay) | Denver, COI |

b. Based upon a monthly accounting period, all Class N allotment transactions processed by Army, Air Force, Coast Guard, Marine Corps and Navy finance centers are reported to the Philadelphia VA center on magnetic tape. A single alphabetic code identifies the type of transaction being reported.

| Transaction **Code** | **Transaction Description** |
|---|---|
| A | ESTABLISHMENT (CURRENT AND RETROACTIVE EFFECTIVE DATES) |
| V B | DISCONTINUANCE (CURRENT AND RETROACTIVE EFFECTIVE DATES) |
| D | ESTABLISHMENT (CHANGE OF SSN) |



| Transaction **Code** | Transaction **Description** |
|---|---|

**EDISCONTINUANCE (CHANGE OF SSN)**
**JINACTIVE ALLOTMENT ADJUSTMENT (CREDIT DUE VA)**
**KINACTIVE ALLOTMENT ADJUSTMENT (CREDIT DUE SD)**

c. All transactions, regardless of the type of action being reported, are merged on one tape in triple **terminal digit** social security account number order (000 through 999). **When an establishment** transaction (code A) **and a discontinuous** transaction (code B) for the same insured **are being reported simultaneously,** the discontinuance transaction (code B) must always precede the establishment **transaction** (code A).

d. (Deleted.)

e. The deduction transactions **are always reported under the** NSLI-V **fund** (code 1) without **regard to** the number and/or fund(s) of the policies which the insured **may have. Distribution** of funds is made, based **upon** the insurance policy prefix, when the transaction is **actually applied to the insurance** account(s).

f. The service department will send the **monthly** Class N allotment **transaction tape or** punched cards, along with a **summary** record covering the certified run totals to **the** Philadelphia VA Center, Attention: Finance Officer, Finance Division, **in** sufficient time to arrive on or before the 10th **day** of the month following the date of the actual allotment deduction **from** the insured's active service or retired **pay.** The monthly payment check, payment voucher and a copy of the summary record **will** be forwarded by certified [ j **mail addressed to the Philadelphia** VA Center, Attention: Collections and Cashier Section. The monthly payment check will **also** be mailed **in sufficient time** to be received in the Philadelphia VA center on or before the date of receipt of the corresponding **allotment transaction magnetic tape or** punched cards.

g. The SLU (Subsidiary Ledger Unit), Finance Division, Philadelphia VA center, maintains a control ledger for each of the reporting offices to record the increase or **decrease** in the **total monetary amount** of the running allotments. The total running allotment amount at the beginning of the month, plus **the amount** of new establishments and minus the amount of the discontinuance **reported** during the accounting period **will constitute** the closing balance. This closing balance amount plus the retroactive establishment amount and the inactive allotment adjustment amount due the VA, minus the retroactive discontinuance **amount and** the inactive **allotment adjustment amount** due the service department, will constitute the check amount to be paid by the service department. The **summary record** of the certified run totals and the payment voucher will be verified against the control ledger. **The appropriate reporting** office will be immediately notified whenever the controlled balances to not agree and/or the various transaction **amounts** do not crossfoot.

h. The deduction transaction tape or punched **cards, along** with a completed summary information listing for run 160 prepared by the SLU, is delivered to the Philadelphia DPC **(data** processing center) for processing in accordance with a schedule prepared by the Philadelphia VA **center.** The Philadelphia DPC will immediately trap-print the allotment transaction **tape** on five-part paper. These listings **are** distributed **as follows:**

Original Insurance Specialist [(291)], **Insurance** Operations Division
Duplicate[ ] Subsidiary Ledger Unit (241), Finance Division
TriplicatePolicy Service Unit (292A), **Insurance** Operations Division
Quadruplicate Policy Service **Unit** (292B) **Insurance Operations** Division
Duplicate[ ] Miscellaneous Accounts **and Service Unit** (292C), Insurance Operations Division

i. These listings, which **are retained for** 6 **months, will** be used by all operating personnel [ ] when it becomes necessary to ascertain the current status of an insurance **account** which **reflects a** pending allotment establishment or change. The allotment transaction could have been reported by **the service department but** not **yet** processed against the insurance master record. If the [ ] allotment **transaction is** of record, the [ j information will be annotated on the record printout and appropriate action, including the refund of overdeductions, can be **taken immediately. [ j**

## 29.03 COMPUTER PROCESSING OF ALLOTMENT TRANSACTIONS

**a. Allotment Control Tape**

**(l) The allotment control tape contains a record for each insured who is paying his [or her] insurance premiums and/or insurance policy loan/lien by a Class N allotment. These records are retained in ascending triple terminal-digit social security account number order (000 through 999). A separate control tape is maintained for each branch of service with one exception. There are two tapes for Army records since their active service and retired pay Class N allotments are reported to the VA on separate registers.**

**(2) Run 160 edits the format of all allotment transactions and reconciles the amount of money forwarded or withdrawn by the service department. Discrepancies are reflected on the run 160 transaction list for corrective action by the SLU. In addition, punched cards for all inactive allotment deduction transactions (codes J and K) are system generated for the insurance file number identification by the SLU. These transactions, when identified, are forwarded to the Policy Service Section for clerical adjustment of flee corresponding insurance account. These transactions are not reinserted into run 170.**

**(3) Run 170, which services the deduction control tape, provides for the distribution of the allotment monetary amount to the various funds, appropriations and general ledger accounts. Records are created and deleted automatically by the allotment establishment and discontinuance transactions received from the service departments. VA Forms 29-5923, Allotment/DFB Input Card to Run 160, can also create, delete and change the records on the allotment control tape.**

**b. Establishment Transactions**

**(I) Allotment establishment transactions received from the service department which pass the run 160 edit are processed in run 170 as follows:**

**(a) Run 170 inserts the establishment transaction on the allotment control tape. If an insurance file number is of record on the allotment control tape, input for run 140 is created to update the corresponding insurance master record. If the establishment transaction is unidentified, VA Forms 29-5969, Allotment/DFB Output Card, and VA Forms 29-5970, Allotment Identification Workcard, ADP are system generated for the insurance file number identification and subsequent insertion by the SLU.**

**(b) Run 170 also records the initial deduction amount as Total Unapplied and enters the Number of Months Unapplied (1 if a current deduction effective date is involved; a larger number if the deduction was established retroactively). When the entire allotment amount is recorded as Total Unapplied, the money is transferred from V-Undistributed Insurance Collections, to V-Unapplied Collections-Cash Collections, and is retained there until distribution input is subsequently received.**

**(2) When the allotment establishment output from run 170 is processed in run 140 and there is a corresponding insurance master record, the system either updates the insurance account or inserts the allotment establishment as a pending transaction type 120 (establishment of a deduction) or 129 (establishment of a deduction divided by the system so that the establishment can be partially processed (one policy) or processed (two policies)). It also creates input to insert the deduction segment into the insurance master record. If the corresponding insurance master record is not on tape, a VA Form 29-1675, Unassociated Transaction Control Card, and a VA Form 29-1675a, Unassociated Transaction Workcard, is generated by the system for correction of the insurance file number or insertion of the insurance master record by the MASU. In some cases, the insurance records must be obtained from the St. Paul VA center as outlined in chapter 22.**

**(a) When run 140 updates the insurance master record, it generates a punched card, transaction type 141, with distribution information. These punched cards are retained in a hold file in the Philadelphia DPC pending the next**

**monthly runs 160/170. At that time they are used as input to effect distribution of the Total Unapplied amount retained on the allotment control tape. They also set the distribution pattern for subsequent monthly allotment amounts.**



**(b) If run 140 inserts the allotment establishment as a pending transaction type 120 or 129 because it cannot** properly **update the insurance master record, a VA Form 29-5886b, Insurance Record Printout (RPO), with a reason code in the 100 series, is system generated for clerical action.**

**(3) The system-generated distribution punched cards, transaction type 141, from run 140 and the clerically prepared VA Forms 29-5923 are processed with the next month's runs 160/170. At that time run 170 will:**

(a) Deduct one monthly amount at a time from **the** Total Unapplied amount and distribute it in accordance with distribution information received. One month will also be deducted from the Number of Months Unapplied each time a monthly amount is distributed.

(b) Run 170 cannot distribute money directly to insurance policy loan/lien. If all or part of the deduction amount is for loan/lien, posting media will be generated for each month deducted from the Number of Months Unapplied. These posting media, transaction type 304, 305 or 306, are processed in run 140 to update the loan/lien segment of the insurance master record provided:

1. There are less than three policies for the insured;

2. There is no life or policy freeze;

3. The how paid indicator in the loan/lien segment of the insurance master record is compatible; and

4. The transaction amount agrees with the monthly repayment amount in the insurance master [record] loan/lien segment.

**If the loan/lien posting media cannot be applied by the system, a pending transaction type 304, 305 or 306 is created and an RPO (record printout), with a reason code in the 300 series, is system generated for clerical action. All transaction types 306 ~ must be posted clerically since the amount is a lump sum representing more than one monthly deduction with more than one transaction date.**

(c) When the Number of Months Unapplied is reduced to zero and there is still a remaining Total Unapplied balance, the system will distribute the remaining amount provided that it is less than one monthly premium. Otherwise, a VA Form 29-5923a, DFB Allotment Distribution Request, transaction type 114, will be generated for clerical distribution. These VA Forms 29-5923a, when clerically completed, are also processed with the next monthly runs 160/170.

(4) When the input for the next accounting month is being processed and run 170 has not received a distribution card, transaction type 141, from the prior month's run 140, a clerically prepared VA Form 29-5923 or 29-5923a or a discontinuance transaction from the service department, run 170, will:

(a) Add one monthly allotment amount to the Total Unapplied balance and transfer a like amount from V-Undistributed Insurance Collections to V-Unapplied Collections-Cash Collections.

(b) Add I month to the Number of Months Unapplied.



(c) Generate **a** punched card request for distribution transaction type 114, for processing in the following run
**140.**

*(S)* When the request for distribution from run 170 is processed in run 140, the system will take one of the following actions:

(a) If the pending establishment transaction has not been deleted from the insurance master record, it will disregard the request for distribution.

(b) If the pending establishment transaction has been deleted and all edit requirements have been met, it will generate a distribution punched card, transaction type 141, for input into the next monthly runs 160/170.
9
(c) If all edit requirements have not been met, a VA Form 29-5923a, code 114 or 115, and an RPO will be generated. Code 114, with distribution code 3, indicates distribution should be made of the Monthly Deduction Amount. Code 114, distribution code *S,* indicates distribution should be made of the Total Unapplied Amount. Code 115 indicates the deduction control record does not agree with the master record.

**c.** Discontinuance Transactions

(1) Discontinuance transactions which do not match an allotment control record with the same social security number, or which reflect different original establishment effective dates or allotment amounts, are rejected in run 170 for reconciliation, correction and reinsertion by the SLU or returned to the reporting office if an excessive number of discrepancies exist.

(2) If the discontinuance transaction is acceptable, the deduction amount is deleted from the allotment control record. This skeletal allotment control record is retained for a period of 1 year, at which time it is automatically deleted from the allotment control tape.

(3) If there is no Total Unapplied balance in the allotment control record, run 170 will:

(a) Generate allotment discontinuance input for run 140 to update the insurance master record.

(b) Reverse all premium and TDIP amounts if the allotment was discontinued retroactively. If a loan/lien repayment amount is involved, the dollar amount of the loan/lien portions to be reversed is printed on the run 170 transaction list.

**NOTE: When the run 170 transaction list is received, *the* SLU will send a memorandum to the Policy Service Section asking them to reverse the corresponding loan/lien allotment payments.**

(4) If there is a Total Unapplied balance in the deduction control record, run 170 will:

(a) Set the Number of Months Unapplied to zero.

(b) Deduct the retroactive amount withheld by the service department from the Total Unapplied balance, if the allotment was discontinued retroactively.

(c) Generate a distribution request for the Total Unapplied balance, if any.

(d) Generate allotment discontinuance input for run 140 to update the insurance master record.

(5) When the allotment discontinuance output from run 170 is processed in run 140 and there is a corresponding insurance master record, the system will either update the account or insert the deduction discontinuance as a pending transaction type 100, 109 or 110.





(a) If run 140 updates the insurance master record, it deletes the deduction segment. In addition, if the discontinuance reason code indicates that the insured has been retired from active service (C for Army transactions; T for Air Force transactions) the system will insert a 120-day 951 policy freeze to prevent the release of premium notices, lapse letters, etc., pending the receipt of a Class N allotment from service retirement pay.

(b) When run 140 inserts the allotment discontinuance as a pending transaction because it cannot logically update the insurance master record, an RPO, with a reason code in the 100 series, is generated for clerical action.

(c) If the corresponding insurance master record is not on tape, VA Forms 29-1675 and 29-1675a are generated by the system. These Unassociated deduction discontinuances are processed by the MASU as outlined in chapter 21.

d. **Prior Pay Transactions**

(1) Occasionally, the service department finance center will use paired transaction codes A (establishment) and B (discontinuance) to pay missing insurance premium payments which became due prior to the effective date of the current running allotment.

(2) Since the effective date of these transactions are prior to the effective date of the current running allotment, they are rejected and VA Forms 29-5969 are system-generated for insertion into run 140 by the SLU.

(3) Run 140 inserts these items as pending transaction types 120 and 100 and generates an RPO in the 100 series for clerical adjustment of the insurance master record.

e. **Multiple Allotment Transactions**

(1) Only one transaction code A (establishment) and/or one transaction code B (discontinuance) can be processed by the system simultaneously. If the service department finance center erroneously transmits multiple transaction codes A and/or B during the same accounting month, the excess transactions are rejected and VA Forms 29-5969 are system generated for reinsertion into runs 160/170 during the following accounting month by the SLU.

(2) When rejects are caused by the erroneous transmission of multiple allotment transactions, a miscellaneous diary is system-generated and inserted into the insurance master record. The ensuing RPO in the 100 series will reflect a diary message, MULTALLOT, to alert the recipient that the rejected transactions being controlled by the SLU must be considered before releasing a VA Form 29-1588, Request for Allotment Deduction Change, or dictated letter to the appropriate service department finance center and/or insured.

**29.04** CLERICAL PROCESSING OF ALLOTMENT TRANSACTIONS

a. **Establishment Transactions**

(1) If run 140 cannot logically update the insurance account or there are more than two policies involved, the allotment establishment is inserted as a pending transaction type 120 on the insurance master record. When run 140 can only update one account on a two-policy case, the remaining portion of the allotment establishment is inserted as a pending transaction type 129. In either case, an RPO, with a reason code in the 100 series, is system generated for clerical action. A description of the various RPO reason codes is contained in MP-6, part II, supplement No. 1 A, chapter 1.

**(2)** The following actions will be taken when processing pending transaction types 120 and 129:

(a) Prepare transaction type 083 to update the premium segment of the insurance master record. Change the how paid code to 6 (allotment from service or retired pay). The first day of the deduction effective month and year will be used as the effective date how paid.



1. Allotments cannot pay premiums more than l month in advance. If the current next month due is more than l month in advance of the deduction effective date, downdate the next month due. The resulting credit, plus any prior overage which is less than one monthly premium amount, will be refunded immediately.

2. If the deduction will pay premiums in arrears or on a month-to-month basis, the insured will be requested to make a direct payment in the amount necessary to place the deduction on a one month in advance, premium paying basis.

3. No action will be taken if the current how paid code is 5 (disability waiver) and the allotment deduction was established to pay premiums. The RPO will be immediately forwarded to the Insurance Claims Section for possible discontinuance of the disability waiver or discontinuance of the allotment deduction.

(b) Prepare transaction type 087 to update the TDIP segment if involved. If the deduction amount is insufficient to pay the combined insurance and TDIP premiums as intended, the deduction will be applied to pay the TDIP premium in full and the balance of the deduction amount will be applied to the basic insurance premium.

(c) If part or all of the deduction amount is for loan/lien repayment, prepare transaction type 025 (loan) or 026 (lien) to insert or change the monthly repayment amount and/or the deduction type in the loan/lien segment of the insurance master record.

(d) Prep are transaction type 040 (second day release) to insert, or a transaction type 050 to change the deduction segment, if necessary.

(e) Prepare transaction type 080 to insert or change the social security account number and/or insert or delete the retired service indicator, if necessary.

**NOTE: A VA Form 29.5896a, Life Input, containing a special batch number, must be used to insert or change the social security account number on a how paid 6 (allotment from service or retired pay) account These forms must be delivered to the Systems Division, Philadelphia DPC, for special key punch instructions and subsequent insertion.**

(i) Prepare transaction type 098 to delete the pending transaction type 120 or 129.

(g) If one or more of the following conditions exist, prepare VA Form 29-5923, transaction type 131, to provide for the distribution of the Total Unapplied amount being retained on the deduction control tape:

1. Two-policy account with different policy funds.

2. The insured has three or more policies.

3. The deduction amount does not equal the total premium requirements, including any loan/lien repayment amount.

4. The full deduction amount is only for loan/lien repayment.

5. Multiple loan/lien repayments on one policy.

6. The total premium is more than $99999.

7. The how paid code in the insurance master record is other than 6 (allotment from service or retired pay).



(h) If the deduction amount does not agree with the total premium requirements, a VA Form 29-1588, will be prepared. These forms when completed as shown below, are forwarded to the Input/Output Section, Philadelphia DPC, for keypunching and release to the appropriate service department finance center.

| Card Column | Title | Entry |
|---|---|---|
| 1 | BR. OF SERV. | CODE FOR BRANCH OF SERVICE |
| 2 | ALLOTCLASS | ALWAYS ALPHA N |

3-11

SERVICE OR SOCIAL

SOCIAL SECURITY NUMBER

SECURITY NUMBER

12 PREFIX INSURANCE FILE PREFIX

13-20

INSURANCE FILE

PRECEDED WITH ZEROS IF

NUMBER

LESS THAN EIGHT DIGITS

**21-35**
**NAME CODE/BALANCE** **LAST NAME OF INSURED**

**OF LAST NAME** **STARTING IN CC 21.**

**MAXIMUM OF 15 CHARACTERS.**

**UNUSED CC'S TO RIGHT OF**

**NAME, IF ANY, WILL BE**

**LEFT BLANK**

**3641**
**FIRST NAME** **FIRST NAME OF INSURED**

**STARTING IN CC 36.** **___**

**MAXIMUM OF 6 CHARACTERS.**

**UNUSED CC'S TO RIGHT OF**

**NAME, IF ANY, WILL BE**

**LEFT BLANK.**

**42**
**INIT** **MIDDLE INITIAL OF INSURED.**

**LEAVE BLANK IF NONE.**

**43**
**TRANCODE** **1 -Establishment**

**2-Discontinuance**

**3-Increase**

**4-Decrease**

**5-Inactive Adjustment**

**47**
**REAS. CODE** **NUMERIC REASON CODE**

**(see table below)**

| REASON CODE | EXPLANATION | COMPATIBLE TRANSACTION CODE(S) |
|---|---|---|
| 3 | | 3 or 4 |
| 3 | TDIP added or end of TDIP premium-paying period | 2, 3 or 4 |
| 4 | Disability waiver | 2, 3 or 4 |
| 5 | End of premium paying period on limited pay or maturing endowment contracts | 2 or 4 |



**REAS**
**ON**
**COMP**
**ATIBLE**
**CODE**
**EXPLANATION**
**TRANSACTION CODE (S)**

| | | |
|---|---|---|
| **6** | **New insurance** | **1 or 3** |
| **7** | **Reduction** | **4** |
| **8** | **Reinstatement** | **l or 3** |
| **9** | **Inservice waiver** | **2 or 4** |
| **0** | **Miscellaneous change** | **l, 2, 3, 4 or 5** |

Card Column Entry | Title

48-53 INSU RANCE EFFECTIVE SING LE-DIGIT MONTH AND DATE DAY NUMBERS WILL ALWAYS BE PRECEDED BY A ZERO. IF TRANSACTION CODE IS 5, LEAVE BLANK.

**54-57 EFFECTIVE DATE OF NEW ESTAB. ALLOTMENT BEING REQUESTED.**

SINGLE DIGIT MONTH NUMBERS WILL ALWAYS BE PRECEDED BY ZERO. IF TRANSACTION CODE IS 2 OR 5, LEAVE BLANK.

58-61 DISC. REQU IRED DISCONTINUANCE DATE OF CURRENT ACTIVE ALLO TMENT. SINGLE-DIGIT MONTH NUMBERS WILL w ALWAYS BE PRECEDED BY ZERO. IF TRANSACTION CODE IS I, LEAVE BLANK

62-66
AMO
UNT
AMO
UNT OF NEW ALLOTMENT
BEIN
G REQUESTED. LEAVE
BLAN
K IF TRANSACTION
CODE
152 OR 5.
67-70
ESTA
B.
EFFE
CTIVE DATE OF CURRENT
ACTI
VE ALLOTMENT. SINGLE-
DIGIT
MONTH NUMBERS WILL
ALW
AYS BE PRECEDED BY
ZERO.
LEAVE BLANK IF
TRAN
SACTION CODE IS I.

| | | |
|---|---|---|
| **71-74** | **DISC.** | **DISCONTINUANCE EFFECTIVE DATE REPORTED BY SERVICE DEPARTMENT. SINGLE-DIGIT MONTH NUMBERS WILL ALWAYS BE PRECEDED BY ZERO. COMPLETE ONLY WHEN TRANSACTION CODE IS 5.** |

75-79
AMO
UNT THE
MONTHLY ALLOTMENT

AMO
UNT REPORTED BY SERVICE

DEPA
RTMENT. LEAVE BLANK

IF
TRANSACTION CODE IS 1.





**The originator will sign and date the completed VA Form 29-1588.**

**l. If the VA Form 29-1588 was prepared to establish or increase the allotment amount, a transaction type 082 will be prepared to insert a 951 policy freeze. In addition, a transaction type 008 will also be prepared to insert a 978 miscellaneous diary, callup code type 953, with the legend 1588 (followed by the numeric transaction and reason codes and the effective month number). The callup date for both inserts will be 120 days subsequent to date of preparation.**

**2. If the VA Form 29-1588 was prepared to discontinue or reduce the deduction amount, only the transaction type 008 need be prepared.**

**3. Upon receipt of the requested allotment transactions, the 951 policy freeze and/or the 978 miscellaneous diary will be automatically deleted by the system.**

**4. If the requested allotment transactions have not been processed through the system prior to the 120-day callup date, a followup RPO is system generated for clerical action. Unprocessed registers, if any, will be reviewed to determine if the requested change has been reported by the service department. If so, no further action is required. However, if there are no unprocessed registers or the review of unprocessed registers proves negative, another VA Form 29-1588 will be prepared. This form will be noted in red SECOND REQUEST in the upper right corner. The 951 policy freeze and/or the 978 miscellaneous diary will be clerically updated 120 days from the current date.**

b. **Discontinuance Transactions**

**(1) If run 140 cannot logically update the account or there are more than two policies involved, the deduction discontinuance is inserted as a pending transaction, type 100, in the insurance master record. If the deduction was discontinued retroactively, a pending transaction, type 110, will be inserted. When run 140 can only update one account on a two policy case, the remaining portion of the deduction discontinuance is inserted as a pending transaction type 109. In each case, an RPO with a reason code in the 100 series, is system-generated for clerical action. A description of the various RPO reason codes is contained in MP-6, part II, supplement No. 1.4, chapter 1.**

**(2) If the current how paid code is 5 (disability waiver), the RPO will be immediately forwarded to the Insurance Claims Section for determination as to the accuracy of the disability waiver refund which was previously authorized on an assumption basis. Corrective action, if any is required, and deletion of the pending transaction will be taken by the Insurance Claims Section.**

**(3) The following actions will be taken when processing all other pending transaction types 100, 109 and 110:**

**(a) Prepare transaction type 083 to update the premium segment of the insurance master record. Change the how paid code to 9 (direct pay), Use the first day of the discontinuance effective month number for the effective date how paid. Determine and update the next month due.**

**1. If the allotment was paying premiums on a 1 -month-in-advance basis, the next month due will be the second calendar month following the allotment discontinuance effective date.**

**2. If the allotment was paying premiums on a month-to-month basis, the next month due will be the calendar month following the allotment discontinuance effective date.**

**3. If the allotment was paying premiums on a 1-month-in-arrears basis, the next month due will be the same as the deduction discontinuance effective date.**

**(b) Prepare transaction type 087 to update the TDIP segment, if involved.**



• (c) If all or part of the allotment amount was for loan/lien repayment, the following action will be taken:

1. If the pending transaction type is 100 or 109, prepare transaction type 025 (loan) or 026 (lien) to delete the monthly repayment amount and the deduction type from the loan/lien segment.

2. If the pending transaction type is 110 (retroactive allotment discontinuance effective date) and/or a memorandum is received from the SLU as stated in paragraph 29.03c(3) [NOTE], prepare transaction type 065 (loan) or *066* (lien) to adjust the loan/lien balance; delete the monthly repayment amount and the deduction type from the loan/lien segment. The last day of the month is used when posting loan/lien allotment repayments. Bad check control account procedures as provided in chapter 24 are used for adjusting loan/lien moneys. Accountability of the loan/lien reversal amount will be shown on the input by debiting Cash Collections 02 (loan) or 06 (lien) and crediting Undistributed Insurance Collections 38. These transactions will be forwarded to the SLU along with an endorsed copy of their memorandum for control and insertion.

(d) Prepare transaction type 090 to delete the deduction segment from the insurance master record.

(e) If the allotment discontinuance reason code indicates that the insured has been retired from active service (C for Army transactions; T for Air Force transactions) prepare transaction type 082 to insert a 120-day callup 951 policy freeze to prevent the release of premium notices, lapse letters, etc., pending the receipt of a Class N deduction from service retirement pay. Upon receipt of the retired pay Class N allotment establishment, the 951 policy freeze will be automatically deleted by the system.

(f) Prepare transaction type 098 to delete the pending transaction type 100, 109, or 110.

c. **Inactive Allotment Transactions**

(l) Changes in the monthly deduction amount and/or effective date(s) of allotments which were previously discontinued, are reported by the service departments as inactive allotment transactions [as] code J (credit due VA) or code K (credit due service department).

(2) Punched cards for these transactions are generated by run l 60 for insurance file number identification by the SLU. These transactions cannot be processed by run l 70. Therefore, when identified, they are forwarded to the Policy Service Section for clerical adjustment of the insurance account.

(3) In order to insure completion of the required action, these transactions are received and controlled by a designated employee in the Policy Service Section. An RPO will be requested and appropriate action will be taken which may include a change in the next month due and/or the overage/shortage amount, establishment or deletion of liens, authorization of refunds and/or additional dividends, etc.

(4) The net adjustment amount received from the service department was automatically placed in the NSLI-V fund (code

**l).**

**Therefore, transactions to adjust the fund or account must also be prepared when necessary.**

(5) If there is no insurance master record on tape, the inactive allotment transaction punched card will be forwarded to the MASU for association with the insurance records and completion of adjustment action.

(6) When adjustment action has been completed, all inactive allotment deduction transaction punched cards will be stamped Ready for File [initialed, dated -1 and filed in the insurance folder.

d. **Prior Pay Transactions**

(l) Prior pay transactions will appear as pending transaction types 120 and 100 on a system-generated RPO in the 100 series. The effective date of both transactions will be prior to the effective date of the current running allotment.

(2) Normally these transactions provide for the payment of insurance premiums which became due prior to the effective date of the current running allotment. Therefore, history lookup may be necessary to determine the required adjustment





**action. In some cases, the adjustment action may be prior to the ADP conversion and will require reference to photocopies of ~ the premium record card and/or other historical records.**

**(3) The full amount of the prior pay transaction was placed in the Premiums-Cash Collections account in the V fund. When the adjustment action is taken and the fund and/or account is different, the proper documents will be prepared to adjust the fund and/or account. However, a VA Form 29-5923,** will **not be prepared to make distribution of the allotment amount or change the effective date of the current running allotment.**

**e.** Multiple Allotment Transactions

**(l) When a system-generated RPO in the 100 series reflects a miscellaneous message, MULTALLOT, there are additional allotment transactions which were rejected by run 170. These rejected transactions which are controlled by the SLU pending reinsertion during the following accounting month must be considered before releasing a VA Form 29-I 588 or dictated letter to the appropriate service department finance center and/or insured.**

**(2) [ ] These rejected transactions will appear on the trap-print listings as outlined in paragraph 29.02i. [ ]**

**29.05** CLERICAL PROCESSING OF REQUESTS FOR DISTRIBUTION

a. Requests for distribution, transaction type 114 from run 170, will be rejected in run 140 under the following conditions:

(l) Three-or-more policy case.

(2) Amount of monthly deduction does not equal the total premium amount including loan/lien repayment amount.

(3) Multiple loan/lien accounts on any one policy.

(4) Deduction amount for repayment of loan/lien only.

(5) Total premium is more than $999.99.

(6) Monthly deduction amount previously distributed but odd amount remains in Total Unapplied.

(7) How paid code is not 6 on life and/or TDIP.

(8) Monthly repayment amount and/or deduction type incorrect or not shown in loan/lien segment.

(9) Social security number, reporting office and/or effective date fields in the insurance master record do not match with like fields in the request for distribution.

(10) No deduction segment in the insurance master record.

b. The rejected requests for distribution, transaction type 114, are mechanically reproduced into VA Forms 29-5923a. A reject reason code 114 or 115 will be interpreted in the name code field. The [Analysis and Control Section] , DPC, will associate the VA Forms 29-5923a with the corresponding RPO's, reason code 114 or 115 which were simultaneously system generated and forward them to the Policy Service Section.

c. The reject and RPO reason code 114 or 115 will indicate the type of clerical action required.

**(l)** Reason Code 114

**(a) A distribution code 3 (transaction type 131) interpreted on the VA Form 29-5923a indicates that distribution of the**



**Monthly Deduction Amount is required. A distribution code 5 (transaction type 151) indicates that distribution of the Total Unapplied amount is required.**

(b) The RPO and other insurance records, if necessary, **will** be reviewed to determine the proper distribution of the amount shown on the VA Form 29-5923a.

(c) Distribution will be made by entering the amount(s) and fund in card columns 47 through 73. All other necessary information is prepunched in the card.

(d) VA Forms 29-5923a can only be used to distribute deduction amounts within the same fund. If more than one fund is involved, a separate VA Form 29-5923 must be prepared for each additional fund.

**(2)** Reason Code **115**

(a) Reason code 115 reflects that a discrepancy exists between the deduction control record and the insurance master record in one or more of the following fields:

1. Social Security Number.

2. Reporting Office.

3. Effective Date.

4. How Paid Code.

(b) The RPO and other insurance records, if necessary, will be reviewed to ascertain the discrepant field. If the master record is incorrect, prepare input to change the master record. **If** the deduction control record is incorrect, advise the SLU by memorandum of the required correction.

(c) Distribution of the allotment amount will only be made if the how paid code in the insurance master record is not and should not be 6. All other VA Forms 29-5923a, reject reason code 115, may be destroyed.

d. VA Forms 29-5923a are forwarded directly to the [Analysis and Control Section] for keypunching and insertion into the hold file pending the next runs 160/170. VA Forms 29-5923 are forwarded to the SLU for batch control purposes prior to being keypunched.

29.06 USE OF RPO TO SECURE ALLOTMENT INFORMATION

a. Upon receipt of a system-generated allotment followup RPO or any communication which indicates that a Class N allotment establishment or change was authorized by the insured, and the insurance master record has not been updated, the following action will be taken:

(1) [ j The trap-print listings of the allotment transactions reported by the respective service departments will be reviewed to determine if the allotment establishment or change was reported to the VA.

(a) If the review proves negative a VA Form 29-1588 will be prepared as outlined in paragraph 29.04a(2)(h). If a communication which requires a reply is involved, advise the correspondent of the action taken by the VA.

(b) **If flu** allotment establishment or change has been reported and is pending insertion into run 140, based upon the computer-processing schedule prepared by the Philadelphia VA center, status can be furnished the correspondent, if necessary; otherwise, no further action is required.

(c) If the allotment transaction in question has been reported and should have been previously inserted into run 140, the RPO will be used, as outlined below, to locate the missing transaction.

(2) The RPO will be used to obtain allotment information when:

(a) [(Deleted.)]

(b) Allotment transactions which were reported by the service department and processed through run 140 must be located. These missing transactions could be unidentified, Unassociated or rejected items.

(c) The amount and/or effective date of the current active allotment which was reported prior to the earliest trap-print listing available must be confirmed.

(d) The amount(s) and/or establishment and discontinuance date(s) of a prior allotment(s) must be obtained for audit purposes or completion of action on a death claim, cash surrender, matured contract payable, etc.

b. When the RPO is used to obtain allotment information, the following entries will be made, in red, on the RPO. If multiple policies are involved, RPO's will be stapled together and the entries will be made on the first RPO.

(l) Insert the following routing instructions in the upper right corner of the RPO reason code area:

(a) SLU (24lB)

(b) Originating unit (symbol).

(2) Underline the reporting office code and social security number. Insert and underline this information if not preprinted on the RPO.

(3) In the upper portion of the pending transaction area, insert the allotment information which should be confirmed. Include the transaction type (establishment, discontinuance or both discontinuance and establishment), the allotment amount(s) and effective date(s). Also enter the date and type of any interim information received from the service department or insured. The originator will initial and date the request directly below these entries.

(4) The RPO's will be forwarded to the SLU. The originator will retain the insurance folder as a followup control.

c. The SLU will review the latest run 730a deduction control listing and subsequent registers, if any, for the requested allotment information and take the following actions:

(l) If the allotment establishment or change has not been reported by the service department, the latest allotment information available or the notation *No allotment of record,* will be inserted in the lower portion of the pending transaction area. The entry will be initialed and dated and the RPO returned to the originating unit.

(2) If the transaction(s) is located as an unidentified item or is pending insertion into run 140, the confirming entry will include the approximate insertion date. The confirming entry will be initialed and dated and the RPO returned to the originating unit.

(3) If the transaction in question was inserted into run 140 subsequent to the date of preparation of the RPO, the confirming entry will include the actual insertion date. The confirming entry will be initialed and dated and the RPO returned to the originating unit.

(4) If the transaction was inserted prior to the date of preparation of the RPO and/or was inserted with an incorrect insurance file number, the confirming entry will include the actual insertion date and the erroneous insurance file number **if** known. The confirming entry will be initialed and dated and the RPO routed to the MASU for location, correction and reinsertion of a possible Unassociated transaction. MASU will endorse the original confirming entry by showing:

**(a) No record unassociated transaction.**



**(b) Actual reinsertion date if previously inserted.**

**(c) Approximate insertion date if unassociated transaction is located and is being reinserted.**

**After the endorsement is initialed and dated, the RPO will be returned to the originating unit.**

**d. Upon receipt of the returned RPO, the originator will take the following action:**

**(1) If the allotment transaction(s) has not been reported by the service department, a VA Form 29-1588 will be prepared as outlined in paragraph 29.04a(2)(h). If necessary, advise the correspondent of the action taken by the VA. If a death claim is involved, a teletype requesting discontinuance of the allotment will be used in lieu of VA Form 29-1588.**

**(2) If the allotment transaction(s) was or will be inserted subsequent to the date of preparation of the RPO, the account will not be clerically updated. Status can be furnished the correspondent, if necessary; otherwise, no further action is required.**

**(3) If the allotment transaction(s) was inserted prior to the date of preparation of the RPO and there is no record in MASU, a history transaction will be requested. If the pending allotment transaction was clerically deleted without updating the insurance master record, the account can be clerically updated and status furnished the correspondent, if necessary.**

## 29.07 **DIRECT** PAYMENTS RECEIVED ON ALLOTMENT ACCOUNTS

**a.** Class N allotments cannot be applied to pay premiums more than l month in advance. Payments in excess of this criterion are subject to immediate refund as stated in paragraph 29.04a(2)(a)L. Therefore, direct payments received on allotment accounts will only be accepted to:

(l) Place the account on a 1-month-in-advance premium-paying basis. This payment will be immediately applied to update the next month due.

(2) Repay loan/lien indebtedness. This payment will be immediately applied to update the loan/lien segment.

(3) Repay premium shortages. This payment will be immediately applied to update the premium segment.

(4) Validate a policy conversion or change of plan. This payment will be retained as a non-interest-bearing credit pending the required change in the allotment amount.

(5) Pay future premiums provided the insured indicates that he [or she] has authorized the discontinuance of his [or her] allotment. This payment will be retained as a non-interest-bearing credit pending the receipt of the allotment discontinuance.

(a) Insert a 120-day 978 miscellaneous diary, callup code 953, to insure the prompt and proper disposition of the payment credit. If the allotment discontinuance has not been reported prior to the callup date, advise the insured that the non-interest-bearing credit is being refunded since the allotment has not been discontinued.

(b) If the allotment discontinuance is received prior to the callup date, the 978 miscellaneous diary **will** be automatically deleted by the system. The payment credit will then be applied to pay premiums. If the credit is sufficient to pay at least 3 months' premiums **in** advance, a discount will be allowed. In calculating the discount value, the premium due date following the last month paid by allotment will be considered as the date of tender of the payment credit.

**(c) If a refund of the payment is requested before the allotment is discontinued, only the actual amount tendered will be refunded since the payment was retained as a non-interest-bearing credit.**

**b. Inquiries regarding the acceptability of direct payments on allotment accounts will be answered accordingly.**



**c. When a direct payment is received** on **an allotment account and the intent of the insured is unknown, a dictated letter will be used to advise the insured of the limited acceptability of such payments. The payment will be retained as a non-interest-bearing credit pending a reply. A 60-day to 978 miscellaneous diary will be inserted to insure followup action.**

**(l) Upon receipt of the insured's reply, action will be taken in accordance with paragraph 20.07a.**

**(2) If a reply is not received prior to the callup date, the insured will be advised that the payment is being refunded.**

**29.08** PROCESSING OF RENEWED TERM ACCOUNTS WITH ALLOTMENT SHORTAGE

a. If the renewal allotment increase has not been processed through run 140 within 5 months of the actual renewal date, an RPO, reason code 951, is system generated for clerical followup action.

b. Upon receipt of the 951 RPO, current allotment information will be obtained as outlined in paragraph 29.06, to determine if the allotment increase was reported to the VA by the service department and is currently pending insertion into run 140. If so, no further clerical action is required.

c. If the allotment increase has not been reported to the VA as of the latest available register (a VA Form 29-1588 will be prepared as outlined in paragraph 29.04a(2)(h) to request the increased amount. Insert a 120-day 978 miscellaneous diary callup code type 953 and advance the 951 policy freeze callup date to agree with the 978 miscellaneous diary callup date.]

**29.09** PROCESSING OF CONVERTED ACCOUNTS WITH ALLOTMENT SHORTAGE

a. When a term allotment account is converted to a permanent plan, (the service department finance center is authorized to increase the Class N allotment to agree with the converted monthly premium. Simultaneously, a 120-day 951 policy freeze is inserted in the insurance master record. If the allotment increase has not been processed through run 140 prior to the callup date, an RPO, reason code 951, is system generated for clerical followup action.

b. Upon receipt of the 951 RPO, current allotment information will be obtained as outlined in paragraph 29.06, to determine if the allotment increase was reported to the VA by the service department and is currently pending insertion into run 140. If so, no further clerical action is required.

c. If the allotment increase had not been reported to the VA as of the latest available register and the insured did not submit a direct payment to validate the conversion, [prepare a VA Form 29-1588 as outlined in paragraph 29.04a(2)(h). Request a retroactive effective date of change to provide for payment of the converted premium on a month-in-advance basis].

**29.10** CLASS E ALLOTMENT

a. Only civilian employees of the various service departments, who are employed overseas, can pay their United States Government Life Insurance and/or National Service Life Insurance premiums by a Class E allotment from their civilian pay.

b. Occasionally, an active service member or retiree will erroneously authorize the establishment of a Class E allotment from their active service or retired pay, in lieu of the required Class N allotment, for payment of their insurance premiums.

c. The service department finance centers use U.S. Treasury Department checks to transmit Class E allotment payments to the VA. These checks are processed through the Reconciliation and Deposit Unit, Finance [ ] Division, as direct payments. Since the how paid code 9 (direct pay) is retained when the insurance master record is updated, these allotment payments are not readily identifiable.

d. A control record of every Class E allotment payment received is retained by the Reconciliation and Deposit Unit. These controls are maintained in alphabetical surname order for each branch of service. When a Class E allotment is identified as an insurance premium payment, it is inserted as a transaction type 201 (not paid as billed) item. Simultaneously, a transaction type 088 is prepared to insert a nonfreeze 978 miscellaneous diary, callup code 971, with the legend CL E ALLOT BR (followed by the branch of service code) with a callup date 10 days from the current date.

**e. Upon receipt of the RPO, reason code 971, in the Policy Service Section,** a **letter will be released to the appropriate service department finance center requesting the discontinuance of the** Class **E** allotment **and the establishment of a Class N allotment as of a current date. The 978 miscellaneous diary callup date will be changed to 120 days from the current date.**

29.11 ADJUSTMENT OF ALLOTMENTS

a. In accordance with Comptroller General's Decision B 123209, January 25, 1956, as contained in Decisions of the Comptroller General of the United States, 35 Comp. Gen. 418, the service departments cannot establish allotments from active service or retired pay to collect United States Government Life Insurance and/or National Service Life Insurance premiums unless:

(1) The service member or retiree actually authorized the allotment.

(2) The service member ratified the payment of insurance premiums on his [or her] behalf by knowingly accepting a benefit arising out of such payment.

b. Accordingly, it is considered that this decision permits the service departments to satisfy VA requests for allotment payment if the insured signed an allotment authorization, but premiums were not deducted from his [or her] service or retired pay, or if deducted were not reported to the VA, or **if** the insured knowingly accepted a benefit, such as an insurance dividend, arising from the payment of premiums by allotment.

**c. In addition, and by mutual agreement, the service department** will **take full credit for any and** all **allotment overpayments made to the VA immediately upon detection of such overpaid amounts by the service department. However, the service department will reimburse the VA for any and all overpayments of insurance benefits which resulted from the delayed receipt by the VA of such allotment retroactive discontinuances or inactive allotment adjustments. Such reimbursements will be made in the amount of the insurance benefit overpayment or in the total amount of premiums payable through the premium month in which the overpayment was made, whichever is the lesser.**

**d. Whenever an insured contests the nonreceipt of an allotment by the VA, or the allotment amount currently being received by the VA, or an insurance benefit overpayment is created due to the delayed receipt of an allotment discontinuance or inactive allotment adjustment, the following action will be taken:**

**(l) A letter will be released to the appropriate service department finance center citing the circumstances involved and requesting the establishment or adjustment of the allotment.** If **an insurance benefit overpayment is involved, specifically state the reimbursable amount payable to the VA by the service department.**

**(2) Prepare a transaction type 082 to insert a 951 policy freeze. In addition, a transaction type 008 will also be prepared to insert a 978 miscellaneous diary, callup code type 971, with the legend SD ADJ LTR. The callup date for both inserts will be 120 days subsequent to the date of release of the adjustment letter.**

VA Regional Office and Insurance Center
Philadelphia, PA

Circular 29- 86-~
January 2, 1986

1986 DFB PROCESSING SCHEDULE

1.ORGANIZATIONAL ELEMENTS AFFECTED: Insurance Operations Div. - VAROIC
Operations Division - VARDPC

2.REFERENCES: M29-1, Part II, Chapter 30, Paragraph 30.06

*3*.PURPOSE: To furnish 1986 cut-off dates covering the preparation and transmission of the monthly magnetic transaction tape to the Hines DPC and the Manila Regional Office.

4. PROCEDURE:

a. The monthly magnetic transaction tape will be transmitted in the calendar month preceding the accounting (register) month during which the transactions are to be effected.

b. DFB requests stored in the Temporary Data File on the Insurance Terminal System will be sent to the Input Unit, Philadelphia DPC in accordance with the following cut-off schedule:

| | |
|---|---|
| **ER** | **REGIST ENTER ADP** |
| **GENERATED** | **TRANSF** |
| **ERRED TO** | **MONTH BY DFB** |
| **REQUESTS** | **HINES/** |
| **MANILA** | |

| | |
|---|---|
| **JAN.** | **1986** |
| **12-17-85** | **12-17-85** |
| **12-18-85** | |
| **FEB.** | **1986** |
| **01-16-86** | **01-16-86** |
| **01-17-86** | |
| **MAR.** | **1986** |
| **02-14** | **02-14** |
| **02-18** | |
| **APR.** | **1986** |
| **03-17** | **03-17** |
| **03-18** | |
| **MAY** | **1986** |
| **04-17** | **04-17** |
| **04-18** | |
| **JUN.** | **1986** |
| **05-15** | **05-15** |
| **05-16** | |
| **JULY** | **1986** |
| **06-17** | **06-17** |
| **06-18** | |
| **AUG.** | **1986** |
| **07-17** | **07-17** |
| **07-18** | |
| **SEPT.** | **1986** |
| **08-15** | **08-15** |
| **08-18** | |
| **OCT.** | **1986** |
| **09-17** | **09-17** |
| **09-18** | |
| **NOV.** | **1986** |
| **10-16** | **10-16** |
| **10-17** | |
| **DEC.** | **1986** |
| **11-17** | **11-17** |
| **11-18** | |

**2.**

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

6.RESCISSION: VAC Circular 29-84-3 is rescinded as of January 3, 1986.

,ROBERT W. CAREY
Director

**<u>DISTRIBUTION</u>:**
**A-I**
**D-1**
**E-I-2-3-5**

**F-1-3-6-8-12-15-21-22-26-29-33**
**R-2-5**
**5-1-2**
**T-1**

VA Regional Office and Insurance Center
Philadelphia, PA

Circular 29-84-2
December 13, 1984

1985 SCHEDULE
CONTROL OF DUPLICATE AND INVALID FORMS 29-5926

1.

ORGANIZATIONAL ELEMENTS AFFECTED: Insurance Operations Div. - VAROIC Operations Division - VARDPC Analysis and Control Div. - VARDPC

2.

REFERENCE: M29-1, Part II, Chapter 30, Paragraph 30.O6g

3.

PURPOSE:

a. To provide the 1985 schedule covering the DPC processing procedure which detects duplicate and invalid VA Forms 29-5926 prior to the card-to-tape operations.

4.

PROCEDURE:

a. Detailed procedures for processing these VA Forms 29-5926 are outlined in M29-1, Part II, Paragraph 3O.O6g.

b. Following is the 1985 schedule for the DPC selection of duplicate and invalid VA Forms 29-5926:

| ACCOUNTING UNIT MONTH | DPC LISTING TO SELECTION POLICY DATE | LISTING TO SERVICE BY COB | 1/0 UNITS BY COB |
|---|---|---|---|

| | | | |
|---|---|---|---|
| **01/85** | **12/3/84** | **12/5/84** | **12/10/84** |
| **02/85** | **01/4/85** | **01/8/85** | **01/11/85** |
| **03/85** | **02/01** | **02/05** | **02/08** |
| **04/85** | **03/01** | **03/05** | **03/08** |
| **05/85** | **04/05** | **04/09** | **04/12** |
| **06/85** | **05/03** | **05/07** | **05/10** |
| **07/85** | **06/07** | **06/11** | **06/14** |
| **08/85** | **07/05** | **07/09** | **07/12** |
| **09/85** | **08/02** | **08/06** | **08/09** |
| **10/85** | **09/06** | **09/10** | **09/13** |
| **11/85** | **10/04** | **10/08** | **10/11** |
| **12/85** | **11/01** | **11/05** | **11/08** |

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

6. RESCISSION: VAC Circular 29-83-4 is rescinded.

**DISTRIBUTION:**
**A-I**
**D-I**
**E-I -2 -3 -5**
**F-I-3-6-8-12-15-21-22-26-29-33**
**R-2-5**
**5-1-2**
**T-1**

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### CHAPTER 30. DEDUCTION FROM BENEFIT PAYMENT ACCOUNTS


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## CHAPTER **30. DEDUCTION FROM BENEFIT PAYMENT ACCOUNTS**

### 30.01GENERAL

**a.** **The** insured can pay premiums on insurance, including the TDIP (Total Disability Income Provision), by authorizing deductions from the benefit payment he [or she] receives, provided the monthly award amount is sufficient for this purpose. Monthly deductions may also be authorized by the insured for loan and/or lien repayment.

b. Deduction authorizations are also acceptable for payment of the initial premium in connection with conversion, reduction or change of plan, including the addition of TDIP rider, provided the insurance contract to be converted, reduced or changed is currently being paid in this manner. **A** new authorization will not be required if the application reflects the method of payment to **be** deduction from benefit payments. The initial premium on RH insurance may be paid by deduction from benefit payments.

c. Deduction authorizations are not acceptable as a medium of payment to effect reinstatement of lapsed insurance, the payment of the initial premium on new insurance other than RH, or the total disability income provision to be attached to a new policy.

d. Deductions for insurance purposes can be made from the following benefit payments:

(l) Service-Connected Disability Compensation. Monthly payment made by the **VA** to a veteran because of a service connected disability.

(2) Non-Service-Connected Disability Pension. Monthly payment made by VA to veteran because of a nonservice connected disability.

**(3)** Death Compensation. Monthly payment made by VA to [surviving spouse], child or parent of a veteran because of service connected death occurring before January l, **1957.**

**(4)** Dependency and Indemnity Compensation. Monthly payment made by **VA** to [surviving spouse], child or parent of a veteran because of service connected death occurring after December 31, **1956.**

**(5)** Death Pension. Monthly payment made by VA to [surviving spouse] or child of a veteran because of non-service-connected death of veteran.

**(6)** Selection of Optional Settlement by Beneficiary. Monthly installments of insurance benefits made by **VA** to beneficiaries of policyholders of Government life insurance.

Maintenance of payment records for [subparagraphs] (I) through (5) above are under the jurisdiction of the Data Processing Center, Hines, Illinois, or the Manila regional office. Insurance payment records for [subparagraph **(6)** are maintained by the St. Paul and Philadelphia **VA** centers based on the geographic location of the payees.

e. All insurance accounts maintained by deduction from benefit payments are located in the Philadelphia VA center.

f. An authorization may be executed by an insured to supersede an existing authorization in any amount representing an increase, decrease, or discontinuance of the amount of deduction in effect. These secondary authorizations will be processed in the same manner as the original.

30.02DFB AUTHORIZATIONS, FORMAT AND INITIAL PROCESSING

a. Authorization for insurance deductions from benefit payments may be made on **VA** Form 29-888, Insurance Deduction

~

**Authorization, or any written form containing the required data. When an authorization for deductions is executed by the insured, it should-be submitted to the** VA **center having jurisdiction of the veteran's insurance account.**





b. VA Forms 29-888 and informal deduction authorizations received in the Philadelphia *VA* Center will be coded S/F (status/folder) in the upper right corner by the Receipt and Dispatch Unit. The coded authorizations will be sent to the [DPC] EAM Keypunch Unit to be used as source documents for the preparation of RPO requests. After the requests have been prepared, the authorization will be delivered to the [Insurance Files] Section for association with the requested RPO and insurance folder before being delivered to the Policy Service Section.

NOTE: All nonmedical applications with VA Forms 29-888 or informal deduction authorizations attached will be coded Os F and, when associated with the requested RPO and insurance folder, will also be sent to the Policy Service Section. All medical applications with VA Forms 29-888 or informal deduction authorizations attached will be codes Os F298 A or B and, when associated with the requested RPO and insurance folder, will be sent to the Medical Determination Unit.

c. If the RPO request is rejected because no insurance master record exists, the authorization will be sent to the local Index Unit for insurance file number verification. Routine processing procedures will be resumed whenever a new insurance file number is furnished by the local Index Unit. All authorizations returned by the local Index Unit without new insurance file numbers are sent to the Analyzer Transfer Group where insurance file number identification will be requested from BIRLS (Beneficiary Identification and Records Locator Subsystem). When the original insurance file number furnished by the insured is confirmed by

either the local Index Unit or BIRLS, the insurance records will be requested from the St. Paul *VA* center by the Analyzer Transfer Group.

d. When an acceptable VA Form 29-888, or informal deduction authorization, with or without a medical-nonmedical application attached, is received in the St. Paul VA center and the insurance records are in that office, [ ] a 90-day 951 policy callup freeze will be inserted in the master record and all insurance records will be immediately transferred to the Philadelphia *VA* center. [The insured should be advised of the transfer.] If the insurance records cannot be located in the St. Paul VA center, the VA Form 29-888 or informal deduction authorization [ ] will be sent to the Philadelphia *VA* center.

30.03 REVIEW OF DFB DEDUCTION AUTHORIZATIONS FOR ACCEPTABILITY

a. To determine the acceptability, the Policy Service [Technician] or Lay Medical Approver will review the VA Form
29-888 or informal deduction authorization as follows:

(l) *Item IA.* Verify name [and address] with the insurance records. [If a change of address is indicated, prepare *VA* Form 29-5891a, Address or Trailer Input Delete, as outlined in MP-6, part II, supplement No. 2.1, section 109.00.]

(2) *[Item 2.* Enter insurance file number if not shown.]

(3) *[Item 3.* Verify with claim number on insurance records. If incorrect or blank, enter correct number. If not shown, obtain claim number from BIRLS.]

*(4)* [Item 4

(~) Amount shown must be enough to pay the required premiums. If the item is blank, the authorization will be accepted if the amount shown in item 6 is sufficient to pay the required premium and/or any loan/lien amounts indicated.

**(b)** Amount shown is not enough to pay the required premiums, reject the authorization and file it in the insurance folder and refer the file to the correspondence clerk for a letter to the insured

(5) *[Item 5.* Verify requested action, change if necessary; insert if omitted.]

(6) *[Item 6.* If the insured authorized a premium deduction in the wrong amount, correct item 6 provided the new total deduction amount does not exceed the amount shown in item 4. Ignore existing overages and shortages. Do not add or subtract them from the required monthly premium amount. Advise the insured of the correct premium deduction amount

*(7)* *[Item 7.* Must contain the insured's signature.]



(8) *[Item* 8. The insurance contract must be in force on the date that the authorization was mailed.]

b. If the **VA** Form 29-888 or informal reduction authorization is not acceptable, draw a red diagonal line across the face of the authorization and write the reason for disapproval on that line. Send the

disapproval authorization and a partially completed new **VA** Form 29-888, if in order, and the folder to the Correspondence Clerk for **a** letter to the insured explaining the reason for disapproval.

**30.04** PROCESSING OF ACCEPTABLE DFB DEDUCTION AUTHORIZATIONS

**a.** Requested deduction transactions are forwarded to the Hines DPC (via magnetic tape) and to the Manila regional office and Philadelphia **VA** center by use of **VA** Form 29-5926, Request for DFB Action, on or before the 25th day of each month.

A **cutoff date schedule for the necessary preliminary clerical processing is prepared by the Philadelphia** VA **center.**

b. The effective date of deduction establishments and increases can be earlier, but not later, than the accounting month in which the requested deduction transactions are sent to the Hines DPC, Manila regional office and the Philadelphia **VA** center. Normally, establishment transactions will be made effective as of the accounting month during which they are sent to the reporting offices. The insured will be requested to pay all missing premiums, if any, which are necessary to place his or her account on a I-month-in-advance premium-paying basis before the effective date of the deductions. The usage of retroactive effective dates for establishment transactions will be restricted to those accounts which require an unusual adjustment action and for RH accounts. If the necessary premium payment(s) have not been received prior to the receipt of the deduction establishment, a lien will be established to pay the missing premium(s). The procedure and necessary calculations to be made for retroactive effective date transactions are outlined in paragraph 30.13.

c. If the insurance premiums are paid in advance of the current processing date, the deduction establishment transaction will be made effective 1 month prior to the next month due. These postdated effective date deduction transactions are retained in a Hold File which is maintained by the Philadelphia DPC.

d. Deduction discontinuance and decrease transactions cannot be made effective retroactively. The effective date of these transactions will always be the accounting month in which they are sent to the Hines DPC, Manila regional office or Philadelphia **VA** center for processing.

e. `When it has been determined that the deduction authorization is acceptable, the following actions will be taken:

(l) Complete the **VA** endorsement portion of the **VA** Form 29-888 and file the authorization in the insurance folder.

(2) Prepare **VA** Form 29-5926 as outlined in MP-6, part II, supplement No. 2.1, section 126.00. The payee number, card columns 10-11, and Insurance Office number, card columns 33-36, are preprinted. The completed **VA** Form 29-5926 is sent immediately to the [Analysis and Control] Section, Philadelphia DPC.

(3) Complete **VA** Form 29-5707, Acknowledgment-Request for Deductions From Benefit Payments, and release to the insured.

**(4)** Prepare **VA** Form 29-8526, Pending Transaction, to insert a nonfreeze 978 miscellaneous pending transaction diary, callup type 953, with a 75-day callup date. The following standardized diary messages will be used:

| Deduction Transaction | Message and Code Number |
|---|---|
| Establishment5926 5 **4** **(Requested Effective date Month #)** | |

Increase 5926 1 2
**(Requested Effective date Month #)**



| **Deduction Transaction** | Message **and Code Number** |
|---|---|
| Decrease (Requested Effective date Month #) | 5926 2 3 |
| Discontinuance (Requested Effective date Month #) | 5926 3 3 |

*NOTE: When the requested deduction transaction is received and processed, a 953 pending* ***diary*** *will* ***be automatically deleted*** *by the system.*

**30.05 CHANGES IN DEDUCTION FROM BENEFIT PAYMENTS**

Action to establish, change or discontinue deduction will be initiated **by** the Philadelphia **VA center, without obtaining a** new authorization from the insured, under the following conditions:

a. **Establishment Transactions.** Termination of premium waiver under 38 U.S.C. 712. Deductions will **be reestablished if** premiums were previously paid by deduction prior to the granting of the 38 U.S.C. 712 waiver. Request **a** retroactive **effective** date, if necessary to prevent lapse of the insurance.

b. Increase and decrease transactions

**(l)** Policy renewed, converted, reduced or changed.

(2) Current deduction amount for premium payment incorrect.

(3) Policy surrendered, paid-up or matured and one or more policies remain under premium-paying conditions by deduction.

**(4)** Termination of total disability income provision and basic insurance premium will continue to be paid by deduction or vice versa.

(5) Loan/lien paid in full and basic insurance premium will continue to be paid by deduction.

c. Discontinuance transactions

**(l)** Single policy account surrendered for cash or paid-up insurance.

(2) Single policy account matures as an endowment.

(3) Premiums paid through end of premium-paying period for single policy account.

**(4)** Loan/lien paid in full and basic insurance premium deduction is not required.

(5) Continuous waiver of premiums granted under 38 U.S.C. 712.

(6) Disapproval of underwriting applications.

(7) Policy canceled because of a decision of forfeiture or fraud.

(8) Insured fails to comply with administrative adjustment requirements.

NOTE: Under any of the above circumstances, a VA Form 29-5926 will be system-generated or clerically prepared and the insured will be advised of the action taken.

30.06 CONTROL AND PROCESSING OF VA FORM 29-5926

a. Ml system-generated and clerically prepared **VA** Forms 29-5926 are retained in a Hold File, in double terminal digit claim number order, by the Philadelphia DPC pending their selection for release to the Hines DPC, Manila regional office or Philadelphia **VA** center during the accounting month which coincides with the requested effective date. **A** cutoff date schedule for the selection of **VA** Forms 29-5926 is prepared by the Philadelphia **VA** center.

b. All requests for deduction transactions, other than those for the Manila regional office and Philadelphia **VA** center, are transmitted to the Hines DPC via magnetic tape. [Only one transaction per insured may be requested in any given month. During the monthly card-to-tape operation, the system detects and rejects multiple and invalid **VA** Forms 29-5926. **A** single numeric or alphabetic reason code is punched into card column 80 of the rejected workcards.] The codes are

| **Reject Code** | **Field Involved** |
|---|---|
| | **l** |
| | **CLAIM NUMBER** |
| | **2** |
| | **[PAYEE] NUMBER** |
| | **3** |
| | **INSURANCE FILE PREFIX** |
| | 4 |
| | **INSURANCE FILE NUMBER** |



| **Reject Code** | **Field Involved** |
|---|---|
| | **5** |
| | **REGIONAL OFFICE NUMBER** |

**6**
**INVA**
**LID ENTRY**
**7**
**INSU**
**RANCE OFFICE NUMBER**
**8**
**NAME**
**CODE**
**9**
**ACTI**
**ON CODE**
**A**
**REAS**
**ON CODE**
**B**
**DEDU**
**CTION OR NET CHANGE AMOUNT**
**C**
**EFFE**
**CTIVE MONTH**
**D**
**EFFE**
**CTIVE YEAR**
**E**
**EFFE**
**CTIVE DATE**
**F**
**DUPL**
**ICATE INSURANCE [FILE] OR**
**CLAI**
**M NUMBER**

**[(Deleted by change 6.)j**

c. These rejected workcards are sent to the EAM Section via the Input/Output Section where they are used to select the original VA Forms 29-5926 from the main transaction file. [ 1 The [ j multiple and invalid [rejected workcards] are then listed separately (original and three copies) in double terminal digit claim number order. [They may then be disposed of in accordance with Records Control Schedule VB-l .1

d. The Input/Output Section will send the control listings, together with the multiple and invalid *VA* Forms 29-5926, to the [ ] Policy Service Unit for corrective action. The control listings will be used by a designated Control Clerk to insure the return of the corrected and/or combined *VA* Forms 29-5926 from the Policy Service Clerks within 5 workdays.

e. The employee responsible for taking corrective action will request a record printout and the insurance folder if necessary, in order to determine the proper action. In all cases, a new **VA** Form 29-5926 will be prepared to correct and/or combine the rejected item(s). If the insured had previously been advised of the effective date of the deduction establishment, change, or discontinuance, a corrected status letter must be released. This is necessary since the corrected and/or combined transactions cannot be transmitted to the Hines DPC until the following accounting month. The new *VA* Form 29-5926 will be given to the designated Control Clerk. The rejected forms cannot be reused and will be disposed of in accordance with Records Control Schedule VB-1.

**f.** When all of the corrected forms have been received, the Control Clerk will return one copy of the control listing, together with the new forms, to the Input/Output Section. These forms will be keypunched and placed in the Hold File pending the next monthly transmittal to the Hines DPC.

g. To reduce the number of system rejects, an EAM sort and selection of multiple and invalid **VA** Forms 29-5926 will be made in advance of the card-to-tape operation. This EAM selection will be made in accordance with a schedule prepared by the Philadelphia *VA* center. The EAM rejects will be processed in accordance with the procedures in subparagraph e above. However, the control listing of the EAM rejects, together with the corrected forms, must be returned to the Input/Output Section by the date scheduled in order to be included in the current accounting month transmittal to the Hines DPC. Such actions will eliminate the need for corresponding with the insured.

**h. *VA* Forms 29-5926, which are sent to the Manila regional office and the Philadelphia *VA* center for processing, are also edited for multiple forms and invalid data before they are released to the respective offices. VA Regional Of face and Insurance Center** **Circular 29-83-3**
**Philadelphia, PA** **December 16, 1983**

1984 DFB PROCESSING SCHEDULE

1. ORGANIZATIONAL ELEMENTS AFFECTED: Insurance Operations Div. - VAROIC
   Operations Division - VARDPC
   Analysis and Control Div. - VARDPC

2. REFERENCE: M29-1, Part II, Chapter 30, Paragraph 30.06

3. PURPOSE: To furnish 1984 cut-off dates covering the preparation and transmission of the monthly magnetic transaction tape to the Hines DPC and the transmittal of VA Forms 29-5926, "Request for DFB Action", to the Manila Regional Office and the Philadelphia VA Regional Office and Insurance Center.

4. PROCEDURE:

**a. The monthly magnetic transaction tape and the VA Forms 29-5926 will be transmitted (Air Mail) on or before the twenty-ninth day of the calendar month preceding the accounting month during which the transactions are to be effected.**

**b. Completed VA Forms 29-5926 will be sent to the Input Unit, Philadelphia DPC, on a daily basis and in' accordance with the following cut-off schedule:**

| ACCOUNTING MONTH | TO KEYPUNCH AND VAF 29-5926 | VAF 29-5926 ADP GENERATED BY COB OPERATIONS | KEYPUNCH DPC VERIFYING |
|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| *JAN.* | 1984 | 12-12-83 | | 12-13-83 | 12-14-83 12-15-83 |
| FEB. | 1984 | 01-16-84 | | 01-17-84 | 01-18-84 01-19-84 |
| MAR. | 1984 | 02-16 | 02-20 | 02-21 | 02-22 |
| APR. | 1984 | 03-15 | 03-19 | 03-20 | 03-21 |
| MAY | 1984 | 04-17 | 04-19 | 04-20 | 04-23 |
| JUNE | 1984 | 05-18 | 05-22 | 05-23 | 05-24 |
| JULY | 1984 | 06-15 | 06-19 | 06-20 | 06-21 |
| AUG. | 1984 | 07-18 | 07-20 | 07-23 | 07-24 |
| SEPT. | 1984 | 08-17 | 08-21 | 08-22 | 08-23 |
| OCT. | 1984 | 09-18 | 09-20 | 09-21 | 09-24 |
| NOV. | 1984 | 10-18 | 10-22 | 10-23 | 10-24 |
| DEC. | 1984 | 11-15 | 11-19 | 11-20 | 11-21 |

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

6. **RESCISSION: VAC Circular 29-82-7 is rescinded.**

Director

**DISTRIBUTION:**
**A-I**
**D-I**
**E- 1-2-3-5**
**F-I-3-6-8-12-15-21-22-26-29-33**
**R-2-5**
**5-1-2**
**T-I**



**i. Monthly listings of all requested deduction transactions, in double terminal digit claim number order, which were forwarded to the Hines DPC, Manila regional office and the Philadelphia** *VA* center, are printed by the Philadelphia DPC. These four-part listings are distributed to the following operating elements for reference purposes:

| | |
|---|---|
| Original | Technical Staff Insurance Division |
| Duplicate | [ J Policy Service Unit, Insurance Division |
| Triplicate | [ ] Policy Service Unit Insurance Division |
| Quadruplicate | Medical Determination Unit, Insurance Division |

30.07 REPORTING OF DEDUCTION TRANSACTIONS

a. Based on a monthly accounting period, all deduction transactions processed by the Hines DPC will be reported to the Philadelphia DPC on magnetic tape. Ml deduction transactions, regardless of the type of action being reported, will be merged on one tape in double terminal digit claim number order (00 through 99). The deduction transactions will always be reported under the NSLI V fund (code 1) without regard to the number and/or actual fund(s) of the policies which the insured may have. Distribution of funds will be made, based upon the insurance policy prefix, when the transactions are actually applied to the insurance account.

b. The Hines DPC will send the deduction transaction tape, a summary record printout of the certified run totals and the monthly payment voucher, SF 1081, Voucher and Schedule of Withdrawals and Credits, to the Philadelphia **VA** center, Attn: Finance Officer, Finance and Data Processing Division. The shipment will be made in sufficient time to arrive on or before the first day of the month following the actual processing of the deduction transactions against the individual benefit award accounts.

c. Deduction transactions processed by the Manila regional office and the Philadelphia *VA* center are reported on individual **VA** Forms 29-887a, Notice of Action Taken on Deductions From Veterans Administration Benefit Payment. These forms, along with a *VA* Form 29-5700, Monthly Summary of Deductions From Benefit Payments for Insurance Purposes, and the monthly payment voucher, SF 1081, will also be received in the Philadelphia *VA* center on or before the first day of the month following the month in which the transaction was processed by the reporting office.

d. The Subsidiary Ledger Unit, Finance and Data Processing Division, Philadelphia *VA* center, maintains a control ledger for each of the reporting offices to record the increases and decreases in the running deduction balances. The total running deduction amount at the beginning of the month plus the total of the monthly amounts being reported as new establishments and resumptions, minus the total monthly amounts of the deductions being discontinued or suspended, will constitute the new closing balance. This new closing balance amount plus the total amount of initial payments, minus the total of the monthly amounts being reported as new establishments and resumptions, will constitute the total amount of funds to be transferred on SF 1081. The summary record printout of the certified run totals or the *VA* Form 29-5700, Monthly Summary of Deductions From Benefit Payments for Insurance Purposes, along with the corresponding payment voucher will be verified against these control ledgers. The appropriate reporting office will be immediately advised whenever the controlled balances do not agree and/or the transaction amounts do not crossfoot.

e. The Hines DPC deduction transaction tape, along with a completed summary information listing for run 160, will be carried to the Philadelphia DPC for processing in accordance with a schedule prepared by the Philadelphia *VA* center. The Philadelphia DPC will immediately TRAP the deduction transaction tape on five-part paper. The listings will be distributed as follows:

Original Technical Staff, Insurance Division Duplicate Subsidiary Ledger Unit, Finance and Data Processing Division





Triplicate [ 1 Policy Service Unit, Insurance Division Quadruplicate [Policy Service Unit, Insurance Division] Quintuplicate Supervisor, Miscellaneous Accounts and Service Unit, Insurance Division

f. These listings will be used by all operating personnel concerned when it becomes necessary to ascertain the current status **of** an insurance account which reflects a pending deduction establishment or change. The transaction could have been reported but not yet processed against the insurance master record. If the expected deduction transaction is of record, the pertinent deduction information will be noted on the record printout and appropriate action, including the refund of overdeductions, can be taken immediately. If the expected transaction is not of record, review the transmittal listing to determine if the required transaction was released to the Hines DPC. If no evidence of this release is available, prepare another *VA* Form 29-5926 and advise the insured of the delay .in processing the insurance deduction transaction. Update the 951 freeze and/or 953 miscellaneous diary by 75 days from the current date.

g. The *VA* Forms 29-887a received from the Manila regional office and the Philadelphia *VA* center are used as source documents to keypunch and verify **VA** Forms 29-5969, Allotment/DFB Output Card-ADP. After the *VA* Forms 29-5969 have been reviewed for accuracy by the Subsidiary Ledger Unit, they are sent to the EAM Section, Philadelphia DPC, where they are merged with the miscellaneous distribution transactions for the same reporting office and included on the miscellaneous transaction input tape into run 160. Prior to run 170, deduction transaction rejects are also included with the miscellaneous transactions for the respective reporting

offices. Runs 160 and 170 for the Hines DPC, Manila regional office and the Philadelphia **VA** center are made each month regardless of the number or absence of miscellaneous and/or current deduction transactions. The processed VA Forms 29-887a are sent for filing in the insurance folder.

**30.08** **MECHANICAL**
**PROCESSING OF DFB DEDUCTION TRANSACTIONS** A

a. Deduction Control Record

(1) The deduction control tape contains a 135-character record for each insured who is paying premiums and/or loan/lien repayments **by** deduction from *VA* benefits. These records are maintained by reporting office in ascending double terminal digit claim number order (00 through 99).

(2) Program runs 160 and 170, which service the deduction control record, provide for the distribution of deduction moneys to the various funds, appropriations and general ledger accounts. Records are created and deleted automatically by deduction establishment and discontinuance input. Miscellaneous transaction input, VA Form 29-5923, Allotment/DFB Input Card to Run 160, prepared clerically can also create, delete and adjust the records on the control tape.

b. Establishments

(1) DFB establishment notices received from the reporting offices are processed in ADP runs 160 and 170 as follows:

(a) Run 160 edits the deduction transactions.

**(b)** Run 170 uses the establishment notices to place the deduction records on the deduction control tape and to create tape images which will become input to run 140 to update the master record. Run 170 also records the initial deduction amount as Total Unapplied and enters the number of months unapplied (1 if current deduction is involved; a larger number if the deduction establishment is retroactively established). When the initial deduction amount is recorded as Total Unapplied, the money is transferred from V-Undistributed Insurance Collections to V-Unapplied Collections-Cash Collections, and is retained there until distribution information is receive d.



**VA Regional Office and Insurance Center** **Circular 29-83-7**
**Philadelphia. PA** **December 27, 1983**

**1984 SCHEDULE FOR UPDATING DEDUCTION ACCOUNTS**

1. ORGANIZATIONAL **ELEMENTS AFFECTED:** Insurance Operations Div. - VAROIC
Finance Division - VAROIC
Operations Division - VARDPC
Analysis and Control Div. - VARDPC

**2.** REFERENCE: **M29-1, Part II, Chapter 30, Paragraph 30.08.**

3. PURPOSE: To provide the 1984 schedule for updating deduction accounts and the 1984 schedule for processing VA Forms 29-5923, "Allotment/DFB Input Card".

4. PROCEDURE:

a. Attached is the 1984 schedule for updating deduction accounts. Every effort will be made by the Philadelphia Data Processing Center to adhere to the dates selected. In addition to equalizing the workflow, this schedule provides the most practical dates to be used within future call-up months when diaries are being inserted.

b. The publication on this updated schedule necessitates the revision of the schedule for processing VA Forms 29-5923. This revised schedule is also attached.

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

**6. RESCISSION: VAC Circular 29-82-10 is rescinded as of January 13, 1984.**

Attachments Director

**DISTRIBUTION:**
**A-I**
**D-1**
**E- 1-2-3-5**
**F-1-3-6-8-12-15-21-22-26-29-33**
**R-2-5**
**5-1-2**
**T-1**

**1984 SCHEDULE FOR PROCESSING VA FORMS 29-5923**

| VA FORMS 29-5923 TO BE PROCESSED WITH **DELIVER TO KEYPUNCH** **BY COB** | **DELIVER TO CONTROL INSERT IN** 1984 REGISTER FOR **UNIT BY COB** | UNIT FILE **BY COB** |
|---|---|---|
| A* | | |
| B** | | |
| A* | | B** |

| | | | | | | |
|---|---|---|---|---|---|---|
| January | 01120 | 02103 | 01123 | 02106 | 01127 | 02110 |
| February | **02117** | **03102** | **02121** | **03105** | **02124** | **03109** |
| **March** | **03123** | **04106** | **03126** | **04109** | **03130** | **04113** |
| **April** | **04120** | **05104** | **04123** | **05107** | **04127** | **05111** |
| **May** | **05/18** | **06108** | **05121** | **06111** | **05125** | **06115** |
| **June** | **06122** | **07106** | **06125** | **07109** | **06129** | **07113** |
| **July** | **07120** | **08103** | **07123** | **08106** | **07127** | **08/10** |
| **August** | **08117** | **09107** | **08120** | **09/10** | **08124** | **09/14** |
| **September** | **09121** | **10105** | **09124** | **10109** | **09128** | **10112** |
| **October** | **10119** | **11102** | **10122** | **11105** | **10/26** | **11109** |
| **November** | **11116** | **12107** | **11119** | **12110** | **11123** | **12/14** |
| **December** | **12121** | **01104185** | | **12124** | **01107185** | |
| **12128** | **01/11/85** | | | | | |

* Column A includes DFB, Marine Corps, Coast Guard and Army

**column B includes Navy, Air Force and Army Retired

**DEDUCTION ACCOUNTS - 1984 SCHEDULE**

**ACCOUNTING** REGISTER MONTH

- DEC
JAN.
FEB.
MAR
**APR**
**MAY**
JUNE
JULY
AUG.
**SEPT.**
OCT.
**NOV.**

**PROCESSING** CALENDAR **MONTH**

**- JAN.**
FEB
**MAR**
**APR**
**MAY**
**JUNE**
JULY
AUG
SEPT
OCT
**NOV**
**DEC**

**SERVICE** DEPARTMENT

**DFB - HINES**

**5**
**2**
**8**
**5**
**3**
**7**
**5**
**2**
**6**
**4**
**1**
**6**

**MARINE CORPS**

**12**
9
15
12
10
14
12
**9**
**13**
11
8
13

COAST GUARD

**12**
**9**

**15**
**12**
10
14
12
**9**
**13**
11
**8**
13
ARMY 12
9
15
12
10
14
12
9
13
11
**8**
13
ARMY **RETIRED**
19
16
**22**
19
17
21
19
16
**20**
**18**
**15**
**20**
**AIR FORCE**
19
16
**22**
**19**
17
21
19
16
**20**
18
15
**20**
**`NAVY 26**
**23**
29
26
24
**28**
**26**
23

(2) When the establishment tape images from run 170 are processed in run 140, the system either updates the master record or creates a pending transaction with a transaction type 120 or 129.

(a) When run 140 processes the establishment by updating the master record, it initiates a *VA* Form 29-5923a, DFB/Allotment Distribution Request ADP, with distribution information. This punched card is used as input in the next run 170 to effect distribution of the amount held on the deduction control record as Total Unapplied. It also sets the distribution pattern for subsequent monthly amounts.

(b) When run 140 creates a pending transaction because it cannot process the establishment, it generates a *VA* Form 29-5886[b, Insurance] Record Printout (RPO), for clerical action. The **clerical** action includes preparation of **VA** Form 29-5923 to provide distribution information, only in **the** five categories described under clerical processing of pending DFB deduction transactions. In all other **cases,** the system will supply distribution information after the pending transaction ~s processed and the master record is updated.

(3) The distribution punched cards received from run 140 and the clerically prepared *VA* Forms 29-5923 are processed with the next month's register. At that time, run 170 will:

(a) Deduct one monthly amount at a time from the Total Unapplied field and distribute it in accordance with the distribution information received.

(b) Deduct I month from the No. Mos. Unapplied field, each time it distributes one monthly amount.

(c) If all or part of the distribution amount is for loan and/or lien, posting media will be generated for each month deducted from the No. Mos. Unapplied field. This posting media is processed in run 140 to update the loan/lien segment.

(d) When the month field is reduced to zero, but the amount field still has a balance, the system will transfer the remaining amount only when it is less than one monthly premium and there is only the *V* premium fund involved. Otherwise, it will generate a transaction type 114 punchcard distribution for clerical action.

**(4)** When the next month's register is processed and run 170 has not received a distribution card from run 140, a clerically prepared *VA* Form 29-5923 or a discontinuance notice, the system will:

(a) Add one monthly amount to the Total Unapplied field and transfer that amount from V-Undistributed Insurance Collections to V-Unapplied d Collections.

(b) Add 1 month to the No. Mos. Unapplied field.

(c) Generate a transaction type 114 punched card distribution request. This punched card will be inserted in the next 140 run.

(5) When the transaction type 114 punched cards from run 170 are processed in run 140, the system will take one of the following actions:

(a) If the establishment is still pending, it will disregard the distribution request, or

(b) If the pending establishment has been deleted and all edit requirements are met, it will generate distribution cards for input in the next 170 run, or

(c) If the establishment has been deleted but the system cannot generate distribution cards, it will generate a reject card (transaction type 114) and an RPO (reason code 114) for clerical processing.

c. Discountenances

(1) When a discontinuance notice is processed in run 170, the action by the system depends on whether or

not the Total Unapplied field contains zeros.





(a) If there are zeros in the Total Unapplied field on the deduction control record, run 170 will take the following action:

l. Delete the deduction record from the deduction control tape.

2. Generate a discontinuance tape image for use as input to run 140 to update the master record.

3. Reverse all premium and TDIP amounts if the discontinuance is retroactive. Where loan or lien is involved, it will printout on the 170 transaction list, the dollar amounts of the loan or lien portions to be reversed.

NOTE: When the 170 transaction list is received in the Subsidiary Ledger Unit, that unit will send a memorandum to [ ] Policy Service Section, asking them to reverse the loan and/or lien payments.

**(b)** If there is a balance remaining in the Total Unapplied field on the deduction control record, run 170 will take the following action:

l. Set No. Mos. Unapplied field to zero.

2. Deduct the retroactive amount from the amount held in the Total Unapplied field if the discontinuance is retroactive.

3. Generate a distribution request for the amount remaining in the Total Unapplied field, if any.

4. Generate a discontinuance punchcard for use as input to run 140 to update the master record.

S Sign deduction record, so that it will be deleted from the deduction control tape after the distribution information has been processed.

(2) When the discontinuance tape images from run 170 are processed in run 140, the master record will be updated or a pending transaction will be created with a transaction type **100** or 109. **A** pending discontinuance transaction will generate an RPO for clerical action. If distribution of deduction moneys has not been made, a transaction type 114 distribution request will also-be generated for clerical processing.

d. Single Deduction Transaction. If a resumption and discontinuance transaction for the same claim number are processed simultaneously by the Hines DPC, the full amount of the one-time payment will **be** reflected in the initial amount field and five zeros will be inserted in the recurring monthly amount field of the tape image. These transactions are printed out on the RTL run 160 error list which is forwarded to the Subsidiary Ledger Unit Finance and Data Processing Division. That unit will voucher the full payment amount from *V*

undistributed to *V* premium and advise the [ ] Policy Service Section, by memorandum, of the action taken. **A** copy of the memorandum is retained as a control, pending completion of clerical action by the [ ] Policy Service Section, as outlined in paragraph 30.09 below.

30.09 CLERICAL PROCESSING OF PENDING DFB DEDUCTION TRANSACTIONS

a. If the ADP system cannot process an establishment transaction mechanically, it creates a pending transaction type 120. If only a part of an establishment transaction is mechanically processed on a two-policy account, the remaining part is made a pending transaction type 129.

**b.** When clerically processing a pending establishment transaction, two determinations must be made:

(1) Effective date of deduction

**(a) When the initial deduction amount is an exact multiple of the monthly deduction amount, the ADP system will determine the deduction effective date or effective date how paid and show that month number in**



**the pending transaction. The number of months which the initial deduction covers will also be shown. When the initial deduction amount is not exactly divisible by the monthly deduction amount, a current effective date is shown in the pending transaction, regardless of the amount of the initial deduction. In the latter case, the effective date will always correspond to the accounting month in which the establishment transaction was received. The number of months the initial deduction covers will always be shown as 01.**

(b) The effective date how paid entered on the master record must always be the same as the effective month number shown in the pending transaction. In addition, the transaction amount entered on the master record must always be the same as the monthly deduction amount shown in the pending establishment transaction. The effective date and transaction amount, when entered on the master record as outlined above, will be identical to the effective date and transaction amount which was mechanically inserted on the deduction control record by the system. Any deviation in the updating of the master record will create a reconciliation discrepancy.

(2) Premiums paid in advance, or month-to-month

(a) To determine if the account is paid in advance or on a month-to-month basis, the following computations will be required:

1. Use initial deduction amount intended for insurance premium if the number of months in the pending transaction is 01, or the monthly deduction amount intended for insurance premium of the number of months is more than 01. Add or subtract any credit/shortage. Apply total to determine a new updated next month due with remaining overage/shortage if any. Overages in excess of $1 will be refunded immediately.

2. Subtract 1 month from the updated next month due to determine the premium month which premiums are paid through.

3. Subtract effective date how paid shown in the pending transaction from the date premiums are paid through. The difference is the number of months deductions are paid in advance.

(b) If the deductions pay premiums 1 month in advance, the next month due entered on the master record is the month following the effective date how paid. If the deduction pays the account month-to-month (current basis), the next month due entry will be the same as the effective date how paid.

(c) Deductions which would pay premiums more than 1 month in advance will be refunded immediately.

c. When processing transaction types 120 and 129, the following actions will be taken:

(1) `Insert prepunched *VA* Form 29-5895a, Pending Transaction Input Card-ADP, transaction type 098, to delete the pending transaction. No control accounts are used.

(2) **VA** Form 29-8523, Premium/TDIP, transaction type 083, will be prepared to update premium segment. Use the last day of the month for effective day `how paid'. No control accounts are used. If TDIP is included, use this OCR document with transaction type 087.

(3) **VA** Form 29-8530, Life/Miscellaneous, transaction type 040 or 050, will be prepared to insert or change deduction segment if necessary.

**(4)** If loan/lien repayment is involved, **VA** Form 29-8525, Dividend-Loan-Lien, transaction type 025 loan, or 026 lien, will be prepared to insert or change the monthly repayment amount and deduction type. The system will automatically post DFB loan/lien repayments in amounts exceeding $199.99 provided the repayment amount of $199.99 is inserted in the monthly repayment amount field of the loan segment.

(5) Prepare *VA* Form 29-5923a, DFB-Allotment Distribution Request-ADP, to distribute deduction moneys if one of the following conditions exists:

(a) Three-or-more-policy case.



**(b)** Amount of monthly deduction does not equal total premium amount including any loan/lien repayment amount.

(c) Multiple loan/lien accounts on one or more policies.

(d) Deduction amount for repayment of loan/lien only.

(e) Total premium is more than $999.99.

d. If the ADP system cannot process a discontinuance transaction mechanically, it creates a pending transaction type 100. If part of a discontinuance is processed on a two-policy case, the remaining part is made a pending transaction type 109.

e. When processing transaction types 100 and 109, the following actions will be taken:

(1) Insert prepunched *VA* Form 29-5895a, transaction type 098, to delete pending transaction.

(2) *VA* Form 29-8523, transaction type 083, will be prepared to update the premium segment and 087 if the TDIP segment is to be updated or 097 if the TDIP segment is to be deleted.

(3) VA Form 29-8530, transaction type 090, will be prepared to delete deduction segment, if necessary.

(4) If a loan/lien repayment is involved, *VA* Form 29-8525, transaction type 025 loan, or 026 lien, will be prepared to delete the monthly repayment amount and deduction type.

f. Upon receipt of a memorandum from the Subsidiary Ledger Unit, Finance and Data Processing Division, concerning a single deduction payment, the corresponding insurance folder and record printout will be obtained to determine the proper application of the one-time payment.

(1) If the payment is to be applied to pay premiums, prepare *VA* Form 29-8523, transaction type 083, to update the premium segment. Do not adjust control accounts if the deduction is being applied as *V* premium. If the deduction payment is being applied as premium in other than the *V* fund, debit account 34 **(V)** and credit 31 in the correct fund.

(2) If the deduction is for TDIP premium, loan/lien repayment, or a combination prepare:

(a) *VA* Form 29-5895a, transaction type 008, to insert the deduction payment as a pending transaction. Use pending transaction 211 and debit control account 32 **(V);** credit 15 or 16, dependent on whether or not a change of fund is involved.

**(b)** *VA* Form 29-5895a, transaction type 098, to delete pending transaction immediately; debit 17, using the applicable fund and credit MTC.

(c) *VA* Forms 29-8523 and/or 29-8525 to update applicable segment; debit MTC and credit the account involved.

(3) If the reason for the deduction payment cannot be determined, prepare *VA* Form 29-5895a, transaction type 008, to insert the deduction payment as a pending transaction. Use pending transaction type 211, debit 32 **(V)** and credit 15 or 16, dependent on the fund involved. In the correspondence to the insured, request disposition of deduction payment.

(4) Ml inputs prepared to dispose of the one-time deduction payment will be forwarded to the Subsidiary Ledger Unit, Finance and Data Processing Division, along with a copy of their memorandum. After their controls have been cleared, the input will be inserted.





g. Upon receipt of a memorandum from the Subsidiary Ledger Unit, Finance and Data Processing Division, requesting the reversal of loan/lien payments due to the processing of a retroactive discontinuance, an RPO will be obtained. *VA* Form 29-8525, transaction type 065 loan or 066 lien, will be prepared to increase the loan/lien balance. Accountability of the loan/lien reversal amount will be shown by debiting Cash Collections 02 loan or 06 lien and crediting Undistributed Insurance Collections (38).

h. Deductions which pay insurance premiums more than I month in advance or, for any reason, result in a credit to the account will be refunded directly to the insured by the Philadelphia *VA* center. However, deductions received subsequent to the date of death of an insured will be refunded to the reporting office by *VA* Form 24-706, Notice of Refund and Refund Work Sheet.

**30.10 PROCESSING OF VA FORM 2~6560, NOTICE OF BENEFIT PAYMENT TRANSACTIONS**

a. The Hines DPC will automatically discontinue, suspend and resume suspended insurance deductions as a result of the processing of future date actions initiated by stored information within the computer or by input transactions initiated by the regional offices. These insurance

deduction transactions which originate in the Hines DPC, are merged with the insurance deduction transactions requested by the Philadelphia *VA* center and are reported on the same monthly insurance deduction transaction tape.

b. *VA* Forms 20-6560, reflecting these insurance deduction transactions generated by the Hines DPC, are sent to the Philadelphia *VA* center on a twice-daily basis in advance of the official insurance deduction transaction tape. Upon receipt of these forms, the Philadelphia *VA* center is responsible for preparing initial notices to the insured when the automatic action taken by the Hines DPC results in a discontinuance, suspension or resumption of the insurance deductions. Processing actions taken by the Hines DPC, which differ from the insurance deduction transaction requested by the Philadelphia *VA* center, will also be reported on **VA** Forms 20-6560.

c. **A** complete explanation of the various codes which appear on the *VA* Forms 20-6560 is outlined in MP-6, part IV, supplements No. I.I and 6.1. An explanation of the significant items are listed below:

| | |
|---|---|
| **File Number** | **Claim number in straight C-number order.** |
| **Payee No** | **00 indicating** a **veteran-payee.** |
| **Person Entitled** | **First initial, middle initial and first five letters of surname, in that order. If there is no middle initial and/or less than five letters in the surname, the respective spaces will be blank.** |
| **RO No** | **03 indicating Philadelphia *VA* center.** |
| **Current Net Award** | **Monetary amount of full monthly award.** |
| **Disc. Action Codes** | 4 **Deduction discontinued. 5 Deduction suspended. 7 Deduction discontinued-death.** |
| **Est. Action Codes** | **1 Deduction established. 2 Deduction resumed.** |
| **Premium Amounts Discontinue** | **Monthly deduction amount discontinued or suspended.** |
| **Premium Amounts Establish** | **Monthly deduction amount established or resumed.** |
| **Premium Amounts Additional** | **Additional monetary amount, if any, included in initial payment for establishment and resumption transactions.** |
| **Reference Numbers** | **Nine-digit insurance file number prefaced with an alpha** **First digit is file prefix-last eight digits, file number.** |
| **Deduction Amount** | **Monthly deduction amount retained in the Hines DPC master record when insurance deductions are suspended.** |



| **MESSAGE CODE** | **EXPLANATION** |
|---|---|
| 635 | INSURANCE DED (DISC/SUSP) EOM **(MONTH)** (AMOUNT). This message is generated when an insurance deduction is discontinued or suspended from any source other than direct input from the Insurance activity. |

636 EFFECT. DATE ( ) DED. REQ. CHANGE TO ( ). This message is generated when an establishment is requested effective more than 11 months retroactively or when a request for deduction increase creates an arrearage which cannot be collected in 6 months. The effective date will be automatically changed to **a** current date. The Philadelphia **VA** center will establish necessary liens to validate the deduction.

637 RETROACTIVE (DISC/DECR) CHANGED TO (MO/YR). This message is generated when a retroactive discontinuance or decrease is erroneously requested by the Philadelphia **VA** center. The effective date will be automatically changed to a current date. Philadelphia *VA* center will refund overdeductions, if any.

639 **CHANGE** OF ADDRESS NOTICE TO PHILADELPHIA. Normally a card notice (in input format) is produced to notify the Philadelphia **VA** center when an address change is received by the Hines DPC for a master record which has an insurance deduction. This message is produced instead of the card when automatic input cannot **be** generated with certainty and visual inspection is required.

,~ 643 INSURANCE **CHANGE** REJECTED-EXCEEDS CURRENT BENEFIT. This message is generated when a deduction increase is requested and the current deduction is being paid under special law 04.

647 INSURANCE DEDUCTIONS RESUMED EFFECTIVE (MO/YR). This message is generated when an insurance deduction is reestablished in the same amount that was deducted prior to suspension. (MSG CODE 635)

**Routing Insurance.**

Remarks Code number for regional office having jurisdiction of claims folder.

d. **VA** Forms 20-6560 reflecting message code 639-Change of Address Notice to Philadelphia, will be immediately sent to the Input/Output Unit, Philadelphia DPC, for editing and preparation of address change input. *VA* Forms 20-6560 which reflect Disc. Action Code 7-Deduction Discontinued-Death will be immediately sent to the Records Section, Administrative Division, for filing in the XC insurance folder. If the insurance folder does not reflect an XC notation, the *VA* Form 20-6560 will be sent **to** the Analyzer Transfer Group as an initial notice of death. All other *VA* Forms 206560 will be coded S(F (status/folder) in the upper right corner by the Receipt and Dispatch Unit personnel and sent to the Policy Service Section with an RPO and the insurance folder attached.

e. The Policy Service Clerk will process the **VA** Forms 20-6560 as follows:

(1) MSG. Code 635[ ]

**[(a) Disc. Action Code 4-A** VA **Form 29-366, Notice of Action Taken on Insurance Deduction from Benefit Payments, or a dictated letter will be prepared advising the insured the deduction from benefit payments has been discontinued and he should resume direct payment of his insurance premiums.**

A. **Change:** **M29-l,** Part II, Chapter **30. This change is issued to provide additional procedures for** MSG **Code 635. These procedures will be followed when deduction from benefit payments** are **temporarily discontinued under action code**

4. A VA Form 20-6560, Notice Of Benefit Payment Transactions, will be received with **a** current net award amount of zero. The future net award amount and the effective **date that** benefit payments will be reestablished will be shown in the remarks section of the VA Form 20-6560.

B. Procedures: **Page** 30-14, add the following subparagraph to **paragraph** 30.l0e (l) **(a):**

If the current net award amount is zero, and **a** future net **award** amount and the effective date **that** benefit payments will be reestablished **are** shown in the remarks section **take** the following action:

A A dictated letter will be **prepared** advising the insured **that** the deduction from benefit payments has been temporarily discontinued and will be reestablished. The insured should be informed of the premium(s) that must be paid by direct payment and of the future establishment **date that** premiums will be paid by deduction from benefit payments. Premium notices should be provided through the month of establishment, so **that** premiums can be paid on **a** month in advance basis when the deduction is reestablished.

If the benefit payments will be reestablished within six months from the current processing date, a DFB Processing Screen will be immediately built to reestablish the deduction from benefit payments. If benefit payments will be reestablished more **than** six months from the **current date,** a **frozen 978/970 diary will be inserted. The diary message will read "REESTABLISH DFB". When the** diary call-up date is reached, (the diary call-up date should be six months before the date benefit payments will be reestablished) **a** DFB Processing Screen should be built to reestablish the deduction and the 1'REESTABLISH DFB" diary should be deleted.

C. New or Revised Insurance Forms: None

**2.**

**M29-l, Part II**
Advance Manual Change No. 4-88 April 25, 1988

**K00NS**

**Assistant** Director for Insurance

**Distribution**

| | |
|---|---|
| 335/29 | 92 |
| 310/290 | 51 |
| 310/291 | 1 |
| 310/292 | 142 |
| 310/295 | 67 |
| 310/Library | 1 |
| C0/3llD | 2 |
| Total | 356 |



**(b)** Susp. Action Code **5-[VA** Forms 20-6560 reflecting Action code 5 will be stamped Ready For File and forwarded for filing in the Insurance folder. When the discontinuance is received, the system will generate a frozen pending diary transaction type 978 with a 130 day callup. The message will read 953DFB *Suspend]* When the callup date of the 953 diary has been reached because the deduction has not been resumed, the Policy Service Clerk will release a teletype to the regional office of jurisdiction. For the purpose of uniformity, the following format for the release of the teletype will be used:

**The insured's name, insurance file number, social security and claim numbers.**

**INS DED SUSP (DATE). PLS ADVISE REASON SUSP AND WHEN DED WILL BE RESUMED.**

**Upon receipt of the reply from the regional office stating that the compensation is still suspended, the Policy Service Clerk will advance the 953 diary date to 90 days from the current date. At the end of the 90-day diary period, the clerk will contact the regional office by teletype as provided above. If the teletype reply indicates that the deduction will not be resumed, a noninterest-bearing lien will be established for all premiums due through the current month. The insure d will be notified of the lien and that he must resume payment of premiums direct.**

NOTE: Whenever the jurisdiction of the paying office is transferred to or from the Manila regional office, the receiving office will initiate action to automatically resume insurance deductions. In such cases, the advance suspension notice will clearly reflect the transfer of the office of jurisdiction.

(2) MSG. Codes 636 and 637-The status of the insurance account and the insurance deduction will govern the adjustment or processing action to be taken. In some cases, the establishment of liens will b required to collect missing insurance premiums when a requested retroactive increase or establishment was made effective as of a current date. Use regular adjustment and/or operating procedures when processing these cads. When, by reason of delay or an act of omission or commission by the *VA,* we have jeopardized the insurance protection, a brief will be prepared for an administrative adjustment. Note the action taken on *VA* Form 20-6560 and file the form in the insurance folder.

(3) MSG. Code 639-Change of address notice to Philadelphia. Action will be taken to determine the competency status of the insured when the change of address reflects fiduciary, custodian or guardian.

**(4) MSG.** Code 643-Release a teletype to the regional office of jurisdiction requesting that the special law 04 deduction amount be increased to the required amount. Upon receipt of reply, a *VA* Form 29-5926 will be prepared.

(5) MSG. Code 647 Est. Action Code 2-Prepare *VA* Form 29-366. Determine the effective date of the resumed deduction based upon the initial payment amount shown on the *VA* Form 20-6560. If, based

upon the next month due reflected on the RPO, the deductions will pay premiums more than l month in advance, downdate the account, compute the credit and refund it immediately. Note the action taken on *VA* Form 20-6560 and file the form in the insurance folder.

30.11 PROCESSING OF VA FORM 20-8271, NOTICE OF EXCEPTION-CP&E INPUT TRANSACTION

a. The Hines DPC program logic reviews the input data fields of all insurance deduction transactions requested by the Philadelphia *VA* center to determine if they are valid and fall within the designated ranges. Errors which invalidate the requested deduction transactions are printed out on VA Forms 20-8271 which are forwarded to the Philadelphia *VA* center for corrective action.

**b.** *VA* Forms 20-8271 received in the Philadelphia *VA* center will be coded S/F (status/folder) in the upper right corner **by** the Receipt and Dispatch Unit personnel and sent to the Policy Service Section with the RPO and insurance folder attached. **VA** Forms 2()~827l which do not reflect the insurance file number when received, will be first sent to the Policy Service Unit for insurance file number identification before normal processing is resumed. The necessary insurance file number will be obtained from the monthly listing of requested deduction transactions which was furnished as outlined in paragraph 30.06.



| **MSG.CODE** | **EXPLANATION** |
|---|---|
| 562E | CANNOT PROCESS - INSUFFICIENT SOURCE. **A** request to establish or increase deductions was rejected since there is insufficient net pay available to process request. If the rejected transaction was an establishment, advise insured that premiums must be paid direct. Delete 951 freeze and/or 953 miscellaneous diary. If the rejected transaction was an increase, the old deduction amount will be continued **by** the Hines DPC. On single-policy accounts, prepare *VA* Form 29-5926 to discontinue existing deduction. Update 951 freeze and/or 953 miscellaneous diary 75 days from the current date. Advise insured of status and request payment of future premiums by direct remittance. On multiple-policy accounts, prepare *VA* Form 29-5926 to reduce existing deductions to cover premium on remaining accounts. Update 951 freeze for the policy concerned 75 days from the current date. Advise insured of current status and request payment of future premiums on subject account by direct remittance. Note action taken on the *VA* Form 20-8271 and file the form in the insurance folder. |
| 565 | DETAIL NAME DOES NOT MATCH MASTER. If name code is completely different, verify claim number and name with available insurance records. If a discrepancy is found, prepare corrected **VA** Form 29-5926. If claim number and name agree, verify with local and/or Central Office Index and prepare corrected **VA** Form 29-5926. If obvious misspelling of name code between records or space separating prefix from balance of last name is detected, prepare *VA* Form 29-5926 showing name code as it appears on Hines DPC master record. Update 951 freeze and/or 953 miscellaneous diary 75 days from the current date. Advise insured of the delay in processing the insurance deduction transaction. Note action taken on *VA* Form 20-8271 and file the form in the insurance folder. |

c. **A** complete explanation of the various codes which appear on the *VA* Form 20-8271 is outlined in MP-6, part IV, supplement No. 6.1. An explanation of the significant message codes and of the action to be taken by the Philadelphia *VA* center is outlined below:

| MSG.CODE | EXPLANATION |
|---|---|
| 502 | INVALID FILE NUMBER. The requested insurance deduction transaction contained a claim number in excess of 30 million or one of the characters was nonnumeric. Verify the claim number and prepare corrected **VA** Form 29-5926. Advise insured of the delay in processing the insurance deduction transaction. Note action taken on **VA** Form 20-8271 and file the form in the insurance folder. Update 953 miscellaneous diary 75 days from the current date. |
| 545 | NO MASTER RECORD IN FILE. Verify claim number. If discrepancy exists, prepare corrected **VA** Form 29-5926. Advise insured of the delay in processing the insurance deduction transaction. If no claim number discrepancy exists, notify insured that the deduction cannot be established since the paying office has no record of benefit payments under the claim number submitted. Premiums must be paid direct. Delete the 951 freeze and/or 953 miscellaneous diary. Note action taken on **VA** Form 20-8271 and file the form in the insurance folder. |

NOTE: If the deduction establishment was requested for RH lnsurance and no claim number discrepancy exists, prepare another VA Form 29-5926. In addition, release a teletype to the

regional office of jurisdiction requesting **if** and when an award master will be established at the Hines DIC'. If an award master will not be established, advise the insured that premiums must be paid by direct remittance.

562B NO APPROPRIATE DEDUCTION-BALANCE SEG. A request to increase, decrease

___

or discontinue deductions was rejected since the Hines DPC master record did not contain an insurance deduction segment. If the transaction request should have been an establishment, prepare corrected **VA** Form 29-5926. Advise the insured of the delay in processing the insurance deduction transaction. Update 951 freeze and/or 953 miscellaneous diary 95 days from the current date. Note action taken on the *VA* Form 20-8271 and file the form in the insurance folder. If the rejected transaction was a duplication of a prior request which was previously processed by the Hines DPC, no further action is required and the *VA* Form 20-8271 can be disposed of in accordance with Records Control Schedule VB-1, part l Delete 951 freeze and/or 953 miscellaneous diary lf any.

562C NEW DEDUCTION AMOUNT EQUALS EXISTING DEDUCTIONS. **A** request to establish deductions was rejected since a deduction in the same amount was previously established. If the transaction request should have been an increase, decrease or discontinuance, prepare a corrected VA Form 29-5926. Update 951 freeze and/or 953 miscellaneous diary 75 days from the current date. Advise the insured of the delay in processing the insurance deduction transaction. Note action taken on *VA* Form 20-8271 and file form in the insurance folder. If the rejected transaction was a duplication of a prior request which was previously processed **by** the Hines DPC, no further action is required and the *VA* Form 2~8271 can **be** disposed of in accordance with Records Control Schedule VB-1, part I.

562D DEDUCTION IMPROPER-M/R SUSPENDED. Advise insured that deductions can not be established since the benefit payments are in suspended status. Premiums must be paid direct. When payment of benefit award is resumed, the insured can again authorize deductions. Delete 951 freeze and/or 953 miscellaneous diary. Note action taken on *VA* Form 20-8271 and file the form in the insurance folder.



MSG. CODE EXPLANATION

566 DETAIL CANNOT BE PROCESSED AGAINST M/R. The insurance deduction transaction request was rejected since the Manila regional office has jurisdiction of the benefit payment award. Prepare corrected *VA* Form 29-5926. Advise the insured of the delay in processing the insurance deduction transaction. Update 951 freeze and/or 953 miscellaneous diary 75 days from current date. Note action taken on the *VA* Form 20-8271 and file the form in the insurance folder.

30.12 REQUESTING DFB DEDUCTION INFORMATION

a. The status of DFB deductions which cannot be determined after a review of the insurance folder and the Hines DPC deduction transaction tape listings, as provided in paragraph 30.07 above, can be obtained from the run 730a listings of the deduction control records. These quarterly listings are maintained **by** the Subsidiary Ledger Unit, Finance and Data Processing Division.

**b. A** current RPO will be used to secure missing and/or confirm questionable deduction information from the Subsidiary Ledger Unit. The Deduction Policy Service Clerk will make the following entries, in red, on the RPO:

(I) In the upper right corner, in the reason code area, insert the routing instructions.

(a) Subsidiary Ledger Unit-(241B).

**(b)** Originating unit and symbol.

(2) Underline the reporting office code and claim number. Obtain this information from the insurance folder and insert it in the corresponding fields of the RPO if it is not already of record.

(3) In the upper portion of the pending transaction area of the RPO, insert the transaction type(s), effective date(s) and deduction amount(s) of the deduction transaction(s) which appear to be missing or must be confirmed. If the insured has more than one policy, staple all RPO's together and make the necessary entries on the top RPO. The originator will initial and insert the current date immediately below these entries before forwarding the forms to the Subsidiary Ledger Unit.

**(4)** The insurance folder will be retained **by** the originator. **A** control slip indicating that the forms were forwarded to the Subsidiary Ledger Unit for current deduction information will be attached. **A** callup date for followup action, not to exceed 3 workdays, will also be noted on the control slip.

c. The Subsidiary Ledger Unit will insert the current deduction information, as reflected on the latest run 730a deduction control listing and all subsequent accounting registers, if any, in the lower portion of the pending transaction area of the RPO. The processing day number on which the missing and/or corrective deduction transaction(s) was or will be inserted on the master record will also be shown. If the deduction transaction(s) was inserted under a different insurance file number, the incorrect number will also be noted adjacent to the confirming entries. After the entries have been initialed and currently dated, the RPO will be returned to the originating element indicated by the routing code in the reason code area.

d. When the RPO is returned, the originator will take the following action:

(I) If the missing and/or corrective deduction transaction(s) was previously inserted under the correct

**insurance file number, obtain history back to the processing day number indicated and adjust the account.**

(2) If the missing and/or corrective deduction transaction(s) will be inserted subsequent to the current date, delay adjustment action pending receipt of an RPO which will reflect the updating of the master record, or the insertion of the corresponding pending transaction(s).



(c) Distribute the deduction amount by entering amount(s) and fund in card columns 47 through 73. All other necessary information for preparing distribution input is prepunched into the card.

(d) Use of **VA** Form 29-5923a is limited to distribution under transaction types 131 and 151 within the same **fund.** When distribution cannot be accomplished using *VA* Form 29-5923a, preparation of *VA* Form 29-5923 will be necessary.

(2) Code 115 in name code field of **VA** Form 29-5923a.

**(a)** Code 115 indicates the claim number, paying office or effective date fields in the deduction control

**record do not agree with like information in the master record.**

**(b)** Distribution of **the** deduction amount on *VA* Form 29-5923a will not be made. Insurance records will be reviewed to determine discrepancy field(s) and input prepared to correct the master record or deduction control record.





(2) If **the** amount of arrearage **to be** collected is greater than the remaining amount of the monthly benefit payment, collection of **the arrearage** will be made over **a** period of months not to exceed 6. Insurance deductions will be reported **in an amount greater than** the requested monthly amount so that **a** portion of the arrearage is paid each month. When the arrearage is liquidated or the remaining amount is less than the monthly net award payment, the deduction will **be** discontinued and **a** new deduction amount will be established to conform with the original requested monthly amount. Any remaining arrearage will be included in the initial deduction amount of the new establishment. This action is automatically taken by the reporting office without notification from the Philadelphia *VA* center.

(3) When an insurance deduction is established in an amount greater than the monthly amount requested in order to liquidate **an** arrearage, the input transaction into run 140 will create a pending transaction (type 120). The establishment input is made pending because the recurring amount does not agree with the total insurance premium. These pending transactions will not be clerically processed or deleted until the discontinuance and new establishment also appear as pending items. This is necessary since it is not possible to show a true status of payment in the master record for this type of deduction transaction.

## 30.14 CLERICAL PROCESSING OF REQUESTS FOR DISTRIBUTION-TRANSACTION TYPE 114

a. Requests for distribution-transaction type 114 from run 170, will be rejected in run 140 under the following conditions:

(1) Three-or-more-policy case.

(2) Amount of monthly deduction does not equal the total premium amount, including loan/lien repayment amount.

• (3) Multiple loan or lien accounts on one or more policies.

**(4)** **Total** premium is more than $999.99.

(5) Monthly deduction amount previously distributed but odd amount remains in **Total** Unapplied.

*(6)* How paid code not 3 or 6 on life and/or TDIP.

(7) Monthly repayment amount and/or deduction type incorrect or not shown in loan/lien segment.

(8) Claim number, reporting office and/or effective date fields on master record do not match like fields on distribution request.

(9) No deduction segment on master record.

**b.** The transaction type **114** reject card will be mechanically reproduced into *VA* Form 29-5923a, DFB Allotment Distribution Request-ADP. The Input/Output Unit will associate the *VA* Form

29-5923a with the RPO showing reason code **114** and forward the forms to the Policy Service Section.

c. The code 114 or 115 interpreted in the name code field will govern the clerical processing of **VA** Form 29-5923a as follows:

(1) Code **114** in name code field.

**(a)** **Review** RPO and other insurance records to determine proper distribution of deduction amount shown on **the** form.

**(b)** The 3 or 5 code in the Code for Distribution block, interpreted on the form, indicates distribution to be made under transaction type 131 or 151, respectively. Also, the 3 or 5 code indicates either the Monthly Deduction **Amount** or Total Unapplied Amount should be distributed.



(3) If the RPO is returned as a No Record item, or confirms the deduction information previously recorded on the master record, **VA** Form 29-5926 will be prepared to establish, discontinue, increase or decrease the deduction as required.

(4) If the missing and/or corrective deduction transaction(s) was previously inserted under a different insurance file number, check for unassociated transaction(s) in the Miscellaneous Accounts and Service Unit. If the unassociated transaction(s) cannot be located, request an RPO under the incorrect insurance file number to determine if the missing and/or corrective deduction transaction(s) was associated with the wrong account. If so, adjust both accounts accordingly.

30.13 REQUESTING RETROACTIVE DFB DEDUCTION EFFECTIVE DATES

a. If the insurance may be jeopardized due to a processing delay or an act of omission or commission by the *VA,* deductions can be established retroactively. These retroactive effective date transactions will be processed **by** the reporting office provided:

(l) The retroactive effective date requested is within 11 months of the current processing date, and

(2) The arrearage (sum of premiums past due) can be deducted from benefit payments within a 6-month period.

b. If the deduction should be established retroactively, calculate the amount of arrearage to determine whether or not it can be collected within 6 months.

(l) Calculation of arrearage

(a) Month number in which first deduction will be made 614 (Feb. 1970)

Minus month number in which deduction should have been established 610 (Oct. 1969)

Equals number of premiums in arrears 4

**(b)** Monthly premium x number of premiums in arrears ($l0.20 x 4) $40.80

(c) Monthly compensation amount $23.00

Minus monthly premium amount $10.20

Equals monthly amount available to pay arrearage $12.80

(d) Monthly amount available for payment of arrearage ($12 .80x6)

**equals total arrearage which could be collected in 6 months $76.80**

**(2) Using results of calculation**

**(a)**

**If the result of calculation in subparagraph (l)(d) above, is equal to or greater than the result of calculation in subparagraph (I)(b) above, request a retroactive effective date when preparing *VA* Form 29-5926.**

**(b)** If the result of calculation in subparagraph (l)(d) above, is less than the result of the calculation in subparagraph (l)(b) above, request a current effective date when preparing *VA* Form 29-5926 and establish a lien on the insurance account for the full arrearage amount.

c. The collection and reporting of retroactive deduction establishments by the reporting offices fall into two general categories as follows:

(I) If the full amount of arrearage can be deducted from one monthly benefit payment, the requested monthly deduction is established with a current effective date and the full arrearage amount is included in the initial deduction.

30.15 PROCESSING CHANGE OF ADDRESS NOTICES RECEIVED FROM THE HINES DPC

**a.** When a change of address is processed on a Hines DPC award master record which contains an insurance deduction segment, a punched card is generated and sent to the Philadelphia *VA* center for insertion of the new address into the insurance master record. These address changes are sent directly to the EAM (Electric Accounting Machine) Section, Philadelphia DPC, for the gang-punching of a batch number and insertion into the system.

**b.** Foreign address ZIP codes used by the Hines DPC are not compatible with the foreign address ZIP codes used **by** the Philadelphia *VA* center. These address changes are rejected by the computer system. Upon receipt of
these rejects, the address will be reinserted with the correct foreign code as set forth in MP-6, part II, supplement

A No. 1.4.

c. *VA* Forms 20-6560, MSG Code 639 **for** changes of address, will be received in place of punched cards on the following categories:

(l) Five lines of address.

(2) Fiduciary, custodian or guardianship cases.

(3) Addresses where the insurance mail code cannot be determined.

(4) Unremarried widows.

**d.** *VA* Forms 20-6560 reflecting a change of address are forwarded to the Input/Output Section, Philadelphia DPC for editing and preparation **of** address change input media. **VA** Forms 20-6560 which reflect a fiduciary, custodian, or guardian will be forwarded to the [Insurance Claims Section (297) for change of address and development of possible waiver of premium.] Addresses which reflect a bank address and/or bank [ ] number will not be inserted into the insurance master record. *VA* Forms 20-6560 which reflect [a bank address and/or bank number will be forwarded to the Chief, Insurance Operations Division for development] and disposal in accordance with Records Control Schedule VB-l, part I.

**[e. When the records are maintained in one of the Pilot/Target Stations, address information should be obtained from the CRT (Cathode Ray Tube).**

f. In priority situations, when the records are not in a Pilot/Target Station, a telegraphic message will be used to obtain the address.]



**30.16 COLLECTION OF FINANCE INDEBTEDNESS**

a. The Hines DPC will establish an account receivable whenever a CP&E overpayment is detected. Deductions for insurance premiums will not be discontinued **by** the Hines DPC in order to liquidate an account receivable. However, a finance indebtedness charge may be established against the insurance account to assist in the liquidation of such an indebtedness.

**b.** Finance indebtedness charges are reported on *VA* Forms 294878, Deduction Authorization Card- Finance, which are sent, along with control listings, to the Philadelphia *VA* center on a quarterly calendar basis by the individual regional offices. Upon receipt, these forms and the control listings are delivered to the Miscellaneous Accounts and Service Unit. Initially, these forms are used to reproduce *VA* Forms 29-5896a which inserts the Other Indebtedness bit in the master records. Thereafter, they are maintained **by** the Miscellaneous Accounts and Service Unit.

c. Cash dividends will not be automatically paid **by** the system when the insurance master record reflects an Other Indebtedness. Instead, the full amount of the dividend will be inserted as a pending disbursement transaction and an RPO, reason code 602, will be generated for clerical analysis by the Deduction Policy Service Section.

d. Upon receipt of an RPO, reason code 602, information regarding the indebtedness amount, claim number, regional office of origin and the proper appropriation code will be requested from the Miscellaneous Accounts and Service Unit. Upon receipt of the requested data, a *VA* Form 24-706 will be prepared to refund all or part of the dividend amount, as appropriate, to the regional office of origin. Dividend amounts in excess of the total indebtedness charge will be refunded to the insured. The insured will be advised as to the disposition of the dividend.

e. After the *VA* Forms 24-706 have been processed through the Finance and Data Processing Division, the Miscellaneous Accounts and Service Unit will post the dividend amount to the *VA* Forms 294878. The outstanding indebtedness charge will be reduced accordingly. When the indebtedness has been completely liquidated, a *VA* Form 29-5896a, Life Input Card, will be prepared to remove the Other Indebtedness bit from the master record. The closed out *VA* Form 29-4878 will be filed in the insurance folder.

**[30.17 DFB OF $200 OR MORE AS LOAN REPAYMENTS**

a. On single policy cases the computer system will automatically post DFB loan repayments in amounts exceeding $199.99 if the amount $199.99 is entered in the Monthly Repayment Amount block in the Loan Segment of the Master Record.

**b.** When an RPO, reason code 303, is received showing a pending transaction type 301, DFB LOAN REPAYMENT, in an amount exceeding $199.99 and it is a single policy case, the following action will be taken.

(I) The RPO will be used as input to delete the pending transaction and to post the DFB payment to the loan.

(2) **A VA** Form 29-8525, Dividend loan lien, transaction type 025, will be prepared as input to enter $199.99 in the Monthly Repayment Amount block in the loan segment of the master record.

(3) The computer system will post the next DFB payment automatically.

c. DFB loan repayments in amounts exceeding $199.99 on multiple policy cases must be clerically processed.]





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## CHAPTER 31. SECTION 724 WAIVER ACCOUNTS

31.01 GENERAL

**a. Public Law 23, 82d Congress, approved April 25, 1951, added section 622 to the National Service Life Insurance Act of 1940, as amended. This new section, now 38 U.S.C. 724, granted the following privilege to persons on continuous active military duty in excess of 30 days. Any person who was insured under National Service Life Insurance or United States Government Life Insurance was entitled, upon written application, to a waiver of premiums on 5-year level premium term insurance and that portion of any permanent plan insurance premium representing the cost of the pure insurance risk. These waivers have not been granted since December 31, 1956. However, if the insured has had continuous military service and a section 724 waiver was granted prior to January 1, 1957, he may retain the waiver on his insurance.**

**b. Periodically, on a project basis, VA FL 29-695 is released to each insured on 5 year level premium term accounts that have the waiver. He is told how his benefits and his insurance will be paid to his beneficiary should he die while the waiver is in effect and how they would be paid should the waiver be terminated. The letter encourages him to consult with his Personal Affairs Officer to determine if he should continue the inservice waiver.**

31.02 WAIVER PROVISIONS

**a. No premiums could have been waived under the provisions of section 724 which became due on or prior to June l, 1951, or prior to the date of application if later than June l, 1951. Subject to these provisions, the effective date of waiver had to have been the first premium due date on or after the date of the application for waiver, provided the insurance was in force at the time of application.**

**b. Once granted, the waiver remained in force on the policy throughout the insured's continuous active service and for 120 days after separation from active service, unless terminated at the insured's request.**

**c. If the 5-year term period expires while the waiver is in force, the term policy is automatically renewed for an additional 5-year period.**

**d. On a permanent plan policy, the waiver covers only that portion of the life insurance premium representing the cost of the PIR (pure insurance risk). Hence, insureds with permanent plan policies must continue paying the full amount of premiums due. The insured however, may request a refund annually of the cost of the PIR while the waiver is in force.**

**e. A TDIP (Total Disability Income Provision) could not be granted a section 724 waiver. This rule applied even though the insurance policy on which the TDIP is a rider was granted the waiver.**

**f. Dividends are not paid for months the insurance is in force under section 724 waiver.**

31.03 SERVICE REQUIREMENTS

**a. The following guidelines are applicable in determining continuity of section 724 waiver:**

**(1) If a serviceman was separated from active service and reentered active service on the same or following day excluding Sundays or legal holidays which intervene discharge and reenlistment, his service is deemed continuous.**

**(2) Between December 23, 1953, and December 31, 1956, both dates inclusive, if a serviceman reentered active service at any time within the 120 days following separation, the section 724 waiver continued in force.**

**(3) On and after January 1, 1957, if a serviceman reentered active service within the l20-day period following separation, but after a break in service of one or more calendar days, the waiver terminated upon**



**expiration of the l20-day period following separation from the previous active service. This same rule applied before December 23, 1953.**

**NOTE: If the policyholder reentered active *service* prior to December 23, 1953, and *within* 120 days following 4 *date of separation,* but *with* a break in *service of one or more calendar days, the waiver will be* considered continuous if the insured *was* erroneously informed by *the* VA *on* or after the date of *his* return to active duty *that the waiver was in* effect due to reentery *within* the 120-day period.**

**b. If there is any question about the continuity of the section 724 waiver, a VA Form 29-l50, Request for Service Information, will be released to the service department.**

**c. After December 31, l956, persons in active service could no longer apply for and be granted a section 724 waiver of premiums on their National Service Life Insurance or United States Government Life Insurance.**

31.04 TERMINATION OF WAIVER

**a. A section 724 waiver of premiums may be terminated by:**

**(l) Establishment of allotment on a term policy.**

**(2) Discontinuance of allotment on a permanent plan policy because of separation from active service.**

**NOTE: In such cases the waiver *will* be continuous for 120 days if premiums are paid.**

**(3) Request for termination from the insured.**

**(4) Expiration of the premium-payment period on a limited payment life contract or at the end of an endowment period on endowment policies.**

**(5) Other evidence of separation from active service.**

**(6) A 724 waiver is suspended by a disability waiver (section 712).**

**(7) Submission of an application for conversion of term insurance**

**(a) In these instances, a letter will be released advising the applicant that we are assuming that the application and payment of premiums (direct pay or allotment) is a request for termination of the waiver.**

**(b) The letter will also advise him that dividends will be paid on the converted policy, if such policy is participating. He will be requested to notify us immediately if our action does not meet with his approval. If a dividend option has not been recorded, a VA Form 29-432, Disposition of Dividends, will be enclosed with the letter.**

**(c) VA Form 29-328a, Underwriting Input, or VA Form 29-8520, Underwriting, will be prepared to effect the conversion. This will cause the system to (l) discontinue the waiver on the new contract, (2) not allow any term reserve and (3) if no dividend option is selected, insert the option as dividend credit.**

**b. On all cases, the insurance folder will be examined to verify continuity of the section 724 waiver. If continuity cannot be determined, a VA Form 29-150 will be released to the service department.**

**c. Upon receipt of a VA Form 29-5886a, Record Print Out, for a term account with a how paid code 7 and an allotment establishment as a pending transaction, take action to:**

**(I) Update the premium segment of the master record and delete the allotment pending transaction. The next month due will be the premium month following the effective month of the allotment. VA Forms 29-5893a, Premium Input, and 29-5895a, Pending Transaction Input, will be used for this purpose.**



(2) Delete the section 724 waiver data from the master record; also insert dividend information to indicate the next dividend year due and months not due if the account is participating. VA Form 29-5892a, Policy Input, or VA Form 29-8522, Policy, will be used for this purpose.

(3) Advise the insured by dictated letter on the status of the account.

(4) If the allotment was not received in the correct amount, review the insurance folder and related records
to determine if the allotment was intended for replacement, conversion, reduction, etc. If there is no evidence of a policy change, a letter will be written to the insured requesting clarification. A VA Form 29-1588, Request for

Allotment Deduction Change, will be sent to the service department and a 1588 (date) diary will be inserted if a change is necessary.

(5) Note the RPO as to action taken and file it in the insurance folder.

d. Upon receipt of an RPO for a permanent plan in force under section 724 waiver, with premiums paid by allotment and an allotment discontinuance is shown as a pending transaction, take action to:

(1) Update the premium segment of the master record and delete the allotment pending transaction. VA Forms 29-5893a and 29-5895a will be used for this purpose.

(2) Prepare a VA Form 29-5895a to insert a 724-609 diary which will indicate that a PIR refund is due. The callup date will be 120 days from the premium due date of the effective month of the allotment discontinuance.

(3) Release a VA Form 29-150 to the service department requesting serviceman's date of separation from active service.

(4) Advise the insured by dictated letter of the status of the account, and information on future PIR refund. Note the RPO as to the action taken and file it in the insurance folder.

(5) Prepare a VA Form 29-320, Request for Calculation, to obtain the amount of the PIR refund upon callup for PIR refund.

*(6)* Delete the section 724 waiver data from the master record. Also insert dividend information to indicate the next dividend year due and months not due if the account is participating. VA Form 29-5892a or 29-8522 will be used for this purpose.

(7) If premiums are not paid for the premium months within the 120-day period following separation, VA Form 29-5893a will be prepared to apply the entire amount of PIR credits at present value to update the master record. If the PIR credits will not pay premiums through the current month, use dividend credits, if available. If all available credits have been applied and the insurance is lapsed, follow prescribed lapse procedures.

(8) If premiums have been paid for all premium months within the 120-day period following separation, VA Form 29-5895a will be prepared to insert the pending disbursement (PIR and other credits).

e. Upon receipt of an RPO for a permanent plan in force under section 724 waiver, and an allotment discontinuance has been received and processed by the ADP system, take action as prescribed in subparagraphs d (2) through (8) above.

f. If a request is received from the insured to terminate the section 724 waiver on a term account, take action to:

(1) Update the premium segment of the master record. The next month due will be the premium month following the month in which the request was postmarked. VA Form 29-5893a or 29-8523, Premium Input, will be used for this purpose.

**(2) Delete the section 724 waiver data from the master record. Also, insert dividend information to indicate the next dividend year due and months not due if the account is participating.** VA **Form 29-5892a or 29-8522 will be used for this purpose.**

**(3) Advise the insured by dictated letter of the status of the account.**

**g. If a request is received from the insured to terminate the section 724 waiver for a permanent plan, take action to:**

**(1) Obtain computation of PIR refund by preparing and releasing VA Form 29-320. The computation will be from the effective date of the waiver or from the termination date of the last preceding PIR refund period, to the end of the premium month in which the request was postmarked.**

**(2) Delete the section 724 waiver data from the master record. Also, show dividend information to indicate the next dividend year due if the account is participating. VA Form 29-5892a or 29-8522 will be used for this purpose.**

**(3) Insert the pending disbursement (PIR and other credits) by preparing VA Form 29-5895a or 29-8526, pending Transaction.**

**(4) Advise the insured by dictated letter on the status of tee account.**

**h. At the expiration of the premium-payment period on a limited payment life contract or an endowment period on an endowment policy while the premiums are waived under section 724, process as follows:**

(I) Prepare a VA Form 29-320 to obtain computation of PIR refund. The computation will be from the effective date of the waiver or from the termination date of the last preceding PIR refund period, to the expiration of the premium-paying period.

**(2) VA Form 29-5892a or 29-8522 will be prepared to delete the section 724 waiver data. Also show dividend information to indicate the next dividend year due and months not due if the account is participating.**

**(3) VA Form 29-5895a or 29-8526 will be prepared to insert the pending disbursement (PIR and other credits).**

**(4) Prepare any other input that may be necessary to update the master record.**

**(5) Advise the insured on the action taken and status of the account.**

**i. If evidence of separation from active service is obtained from sources other than official channels and the insurance premiums are waived under section 724, take action to verify separation date and process as prescribed above according to the circumstances of the case.**

**[31.05**

**INDEBTEDNESS UPON MATURITY BY DEATH**

**a. Public Law 92-197, enacted December 15, 1971, provides for an indebtedness to be established on any Government Life Insurance contract (USGLI and NSLI) maturing by death on or after January l, 1972, whenever the premiums are being waived under 38 U.S.C. 724.**

**b. The indebtedness to be established will include an amount equal to the amount of premiums that were waived for any period on or after January 1, 1972, less the dividends that would have been payable on participating policies except for the fact that premiums were waived under section 724. The premium indebtedness applies to current as well as any predecessor accounts (term or permanent plan) on which premiums were waived on or after January 1, 1972. Any indebtedness established under this law will take the form of a premium lien. Interest will not be charged on the premium lien. For an account with an effective date other than the first of the month, an**



indebtedness will not be established for a death occurring during January 1972, if the death occurred during December 1971 premium month.

c. When input is inserted into the computer system to initiate processing of a death claim and the record indicates premiums are being waived under section 724, the system will provide a partially completed VA Form 29-368d, Report of Status for Settlement of Death Claims, suspend automatic processing of the claim and freeze the master record. Premium liens will be clerically calculated and entered in the master record. PIR (pure insurance risk) refunds effected for any period beginning with the January 1972 premium month, less potential dividends, will become a premium Lien. If the full premiums have been paid on a permanent plan contract and no PIR refund has been made for the premium month of January 1972 or later, the settlement will be made as though no section 724 waiver existed and will include dividends (for participating accounts) for the period involved. It will be necessary to continue to verify the continuity of section 724 waivers (and allotments, where applicable) with the appropriate service department. Liens will not be established unless a section 724 waiver is in effect for the premium month in which death occurred. In the adjudication of death claims, a section 724 waiver will be deemed to have been discontinued prior to the premium month in which death occurred providing the insured was eligible for a disability waiver under 38 U.S.C. 712 or 713. In these instances, no premium lien is to be established.

d. Premium liens established under the provisions of Public Law 92-197, unless paid prior to settlement, are deductible from the proceeds of the Insurance. In such case, the liability of the Government under Section 724(b) shall be reduced by the amount so deducted from the proceeds. Beneficiaries will be permitted to pay the established indebtedness before settlement in order to provide for larger installments whenever a settlement option is other than cash (lump sum).

e. The same control account applicable to all premium Liens is used.

f. Loan and cash surrender of accounts under a section 724 waiver as well as maturing endowments and USGLI accounts maturing because of total permanent disability are not affected by this law.]

**Change1**

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CHAPTER 32. EMPLOYER PAYROLL ACCOUNTS

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# CHAPTER 32. EMPLOYER PAYROLL ACOUNTS

## 32.01 GENERAL

a. Commercial employers, certain U.S. Government agencies and the Philippine services may deduct an amount from an employee's or member's pay for insurance premium payments and/or loan/lien repayments, when authorized by the employee. The combined deductions of a participating organization or company are usually paid in a single remittance by the commercial employers and U.S. Government agencies. The Philippine services' payments are made to the agent cashier, VA Regional Office, Manila, and reported to the Philadelphia VA center on VA Form 14-1551, Transmittal Schedule of Insurance Collections.

b. The establishment of a new organization to the employer payroll deduction system is accomplished by the Insurance Division, Philadelphia VA center. An employer office number is assigned by the Collections and Cashier Section, Finance and Data Processing Division, which maintains a record of each number assigned and the related employer. Ml accounts for insureds under the payroll deduction plan are maintained at the Philadelphia VA center.

c. Upon the establishment of a payroll deduction, the initial remittance should be sufficient to pay premiums l month in advance. If not, the insured should be advised of this fact, and that it is to his best interest to have ~ account paid in advance. He should be requested to tender a direct remittance of one monthly premium. Letters will not be released to employers requesting adjustment of premiums 1 month in advance. Employer payroll accounts may be paid more than on a I-month-in-advance basis.

d. A master file of each employer payroll deduction account is maintained in the Reconciliation and Deposit Unit, Finance and Data Processing Division. This file consists of a VA Form 29-367a, Collections and Payroll Deduction Card, for each insured, and is used as input to computer run 132A. The input is processed by the computer in the same manner as not paid-as-billed direct payments.

e. VA Form 29-800, Notice of Action Taken on Payroll Deduction for Government Life Insurance, is used bye employers to report establishments, discontinuances, or changes. If a change is involved, two VA Forms 29-800 should be received: one for the discontinuance of the present amount, and one for the establishment of the new amount. A folder is established for each employer payroll deduction account in which VA Form ~4-800a, ~ Monthly Summary of Payroll Deductions for Government Life Insurance, and a current list of the master file, are maintained. If there is no change from the previous month in the amount of the remittance or the insureds to whom credit is given, the list in file is noted with the$_0$current PDN (processing day number) and the postmark date. The PDN is also stamped on the VA Form i4.80

f. Discrepancies which may affect an insured's account must be resolved before the master file for each employer is introduced into the computer. The employer may be contacted to resolve discrepancies by letter or telephone, depending upon the urgency of the situation and location of the employer.

g. The master file for each employer is listed annually in alphabetical order after the July payment is processed. These lists are mailed to the employers for verification, with an appropriate cover letter.

h. The Collections Section is responsible for notifying the Insurance Officer of unusual delays in receipt of deductions from employers, based on the normal pattern of receipt dates, so that appropriate action can be taken to determine the reason for delay.

**i.** Employers who do not submit payroll deductions as requested by the VA, or those who desire to submit payments on other-than-a-monthly basis (even as a minimum), will not be included in the payroll deduction plan. These items will be processed as regular Open Mail by the Collections Section.





32.02 CLERICAL PROCESSING

a. VA Forms 29-800 and/or VA Forms 29-5886$, Record Print Out (RPO), received from the Reconciliation and Deposit Unit, will be processed as follows:

(l) Establishments. VA Form 29-8530, Life Miscellaneous, transaction type 040, will be prepared to establish the deduction segment. If the amount is to pay insurance and/or total disability income provision premiums, VA Form 29-8523, Premium/TDIP, transaction type 083 and/or 087, will be prepared to change the how paid code(s) to the payroll deduction code (8). If the amount is to repay a loan or lien, VA Form 29-8525, Dividend-Loan-Lien, transaction type 025 or 026, will be prepared to insert the monthly repayment amount in the loan or lien segment.

(2) Discontinuances. VA Form 29-8530, transaction type 090, will be prepared to delete the deduction segment. VA Form 29-8525, transaction type 025 or 026, will be prepared to delete the repayment amount in the loan or lien segment.

(3) Changes. The account will be reviewed to determine what change is required.

(4) Transfers between employer offices. An RPO will be received from the Collections Section with the new office noted thereon. VA Form 29-8530, transaction type 050, will be prepared to change the office number in the master record.

(5) It will be determined if any other adjustments or changes are required. If so, the insured will be advised and a diary inserted for followup action. VA Forms 29-800 will be stamped Ready for File, signed, dated and sent for filing in the insurance folder.

b. Procedures for clerically processing employer payroll deduction accounts are essentially the same as those for direct pay accounts, with the following two exceptions:

(l) The system will not automatically release lapse notices or letters. If a lapse callup is reached, an RPO reason code RPO 980, will be generated. The master record will be automatically frozen.

(2) VA Form 29-5885, Information About Your Insurance, is not released when the overage or shortage field in the master record is affected. An RPO reason code RPO 980 is generated when a premium payment is applied that is not equal to the total premium in the master record.

c. Upon receipt of an RPO reason code RPO 980 and the account is not frozen, the required adjustment action will be determined and the insured advised accordingly. If the amount of the deduction is less than the monthly premium, the insured will be advised of the shortage and the month in which the deduction should be adjusted. The

month should be based on allowing the insured sufficient time (approximately 60 days) to contact the employer and make the change. The amount necessary to pay premiums on a month-in-advance basis will be completed, taking into consideration overages or shortages which will exist through the month in which the insured was notified to make the change. The insured will be requested to pay this amount by direct remittance or if dividend credits exist, authority will be requested to deduct the amount needed from the dividend credit balance. Care must be exercised in this type case to determine if the account is in danger of lapse and whether reinstatement requirements will have to be met; i.e., shortage has reached the point where another deduction with a shortage will exceed the shortage limitations. If so, the insured will be advised as to the potential lapse date and requested to submit a direct remittance prior to that date to prevent lapse.

d. Upon receipt of an RPO reason code RPO 980 and the account is frozen because of the lapse callup, the status of the account will be determined as to whether reinstatement requirements must be met. In many instances, deductions on this type case are received postmarked within IS days after the end of the grace period and are subsequently applied to continue the insurance in force, but are not entered into the system timely enough to prevent the lapse callup. Verification should be made with the Reconciliation and Deposit Unit as to whether deductions are available which can be applied to prevent lapse prior to release of a lapse notice to the insured. The insured will be advised of the reinstatement or adjustment action, as appropriate.





e. If deductions are not being deposited properly; i.e., deposited as premium but should be applied to loan, the Collections Section will be notified by VA Form 3230 so that flu control file of VA Forms 29-367a can be corrected.

32.03 ADJUSTMENTS

Administrative acceptance of late remittances as timely may be made by the Insurance Officer where, in his ~f

judgment, the circumstances warrant such acceptance. These situations are:

a. the entire payroll deduction submission is delayed. Deposit may be made as of the last day of the calendar month in which due, or

b. Out-of-balance conditions which necessitate return to the employer for correction. Deposit will be made as of the original postmark date, or

c. On individual cases -when through error on the part of the reporting office a deduction is not reported and a statement to that effect is received from the employer. Deposit will be made as of the last day of the calendar month in which due.

* u. s.
GOVERNMENT PRINTING OFFICE : 1971 O **- 436-399 (119)**



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CHAPTER 33. AUTOMATIC SURRENDER

33.01 GENERAL

a. Permanent plan policies provide that loans may be granted on the security of a policy at any time after the end of the first policy year. Loans may also be granted on the security of paid-up additions attached to permanent or term contracts. Loans against the security of the paid-up additions require no waiting period. However, if at any time the loan indebtedness equals or exceeds the policy reserve (or the combined reserve, if paid-up additions are involved), plus any dividend deposit accumulation, the policy shall cease and become void. This arises when the loan principal balance plus interest increases faster than the policy and/or paid-up additions reserve plus dividend deposit accumulations.

b. Limited payment life policies on which all premiums have been paid and earned, Modified Life, Ordinary Life, Reduced Paid-up Life policies and any policy with paid-up additions are the only ones on which the loan indebtedness can equal or exceed the reserve.

c. Dividend credit balance will not be taken into consideration to determine when the loan indebtedness will equal or exceed the reserve.

d. Lien indebtedness will not be taken into consideration to determine when the loan indebtedness will equal or exceed the reserve.

e. The automatic surrender procedure will be effected even though returned mail is indicated on the master record.

33.02 PROCESSING NOTICES TO THE INSURED (AUTOMATIC SURRENDER DATE CALCULATED BY THE COMPUTER SYSTEM)

a. The computer system is programed to automatically calculate or recalculate the exact critical date when the loan indebtedness will equal or exceed the cash value of the basic contract and/or the paid-up additions or the combined cash value of both in the following instances:

(1) When a loan is capitalized for interest billing.

(2) When a miscellaneous input, transaction type OX5, is processed.

(3) When the system applies transaction type 3XX to a loan and the master record contains action type 3 or 4.

(4) When a dividend is authorized LOLl (loan/lien) or the paid-up option, and the master record contains action type 3 or 4.

b. The computer system will also release a VA Form 29-8348, Information About Your Insurance, with the appropriate paragraphs when the loan indebtedness will equal or exceed the reserve within 15 months and will purge the basic policy and/or paid-up additions 30 days after the critical date if no payment is made to reduce the indebtedness. The system-generated VA Forms 29-8348 are released in the following sequence:

(l) The initial notice is released when the policy and/or paid-up additions are determined to be critical within 15 months.

(2) The followup notice is released 3 months before the critical date.

c. The system will not release a VA Form 29-8348 when any of the following conditions exist:

(l) The insured is incompetent.





(2) There is a pending transaction on the 2XX or 3XX series.

(3) There is a monthly repayment amount in the loan segment.

(4) A loan was granted or a payment was Processed and the policy is critical as of current or past due date.

(5) There are paid-up additions on a term, extended insurance, or a lapsed contract and the account is critical.

(6) be policy is critical; there is no other policy in force with paid-up additions.

(7) The How Paid Code is S.

**NOTE: The above conditions will cause the System to generate an RPO (record printout) for one of the following reason codes: 352, 353, 357, 358, and/or 376.**

33.03 PROCESSING NOTICES TO THE INSURED (AUTOMATIC SURRENDER

**DATE CALCULATED CLERICALLY)**

a. The system cannot compute the exact critical date when one or more of the following conditions exist:

(l) The master record has a dividend deposit segment.

(2) A loan was established on a lapsed account and there are no paid-up additions.

(3) There are multiple loans with different effective dates.

(4) An endowment contract matures within 15 months after the loan capitalization date.

*The above conditions will cause the system to generate an RPO with one of the following reason codes: 319, 350or 35l.*

b. When the computer system is unable to calculate the exact critical date or release a VA Form 29-8348, an RPO will be generated for clerical action by the Policy Service Technician.

c. When the computer system does not calculate the exact critical data, the insurance folder will be reviewed for possible prior calculations based on the same loan balance. If a prior calculation is not of record, the RPO will be sent to the Miscellaneous Accounts and Service Unit for a calculation of the exact date the loan indebtedness will equal or exceed the cash value. The cash value is the policy reserve plus the reserve of any paid-up additions and/or the dividend deposit balance, if any.

**NOTE: If the policy will mature within 15 months after the loan capitalization date, the Policy Service Technician will calculate the loan balance as of the maturity date. If loan plus interest as of the e maturity date is less than the face amount of insurance plus paid-up additions and/or dividend deposit, the contract is not critical.**

d. When the critical date is furnished by computers or if the computer system calculated the exact critical date but did not release a VA Form 29-8348 to the insured, the Policy Service Technician will release the proper notification using AT (automatic typewriter) or a dictated letter.

e. Proper notice is considered to have been given if at least one notice has been released but not less than 90 days before the automatic surrender date.

f. When it is determined that a proper notice has not been given and/or there are less than 90 days before the automatic surrender date or the surrender date has passed, the insured will be allowed 90 days from the date of the letter to reduce the indebtedness and keep the insurance in force. This letter will be the final notice and will be noted accordingly. If the 90 day period extends past the date the policy would be surrendered and purged from the record, a 90 day freeze diary will be inserted to prevent the purge.



**Total Amount of Suggested Monthly**

| Indebtedness | Payment Amount |
|---|---|
| **Up to $1,200** | **$6** |
| **$1,200.01 to $ 1,800** | **$ 8** |
| **$1,800.01 to $ 2,200** | **$10** |
| **$2,200.01 to $ 2,600** | **$12** |
| **$2,600.01 to $ 3,000** | **$14** |
| **$3,000.01 to $ 3,400** | **$16** |
| **$3,400.01 to $ 3,800** | **$18** |
| **$3,800.01 to $ 4,200** | **$20** |
| **$4,200.01 to $ 4,600** | **$22** |
| **$4,600.01 to $ 5,000** | **$24** |
| **$5,000.01 to $ 5,400** | **$26** |
| **$5,400.01 to $ 5,800** | **$28** |
| **$5,800.01 to $ 6,200** | **$30** |
| **$6,200.01 to $ 6,600** | **$32** |
| **$6,600.01 to $ 7,000** | **$34** |
| **$7,000.01 to $ 7,400** | **$36** |
| **$7,400.01 to $ 7,800** | **$38** |
| **$7,800.01 to $ 8,200** | **$40** |
| **$8,200.01 to $ 8,600** | **$42** |
| **$8,600.01 to $ 9,000** | **$44** |
| **$9,000.01 to $ 9,400** | **$46** |
| **$9,400.01 to $ 9,800** | **$48** |
| **$9,800.01 to $10,200** | **$50** |

This payment schedule assumes that you also pay the annual loan interest, when due, to prevent cancellation of your policy. We will bill you for the interest shortly before the loan anniversary date.

M29-1, Part II

Advanced Manual Change No. 2-82 August 24, 1982

Chapter 33 - Automatic Surrender
Paragraph 33.03 - Processing Notices To The Insured
(Automatic Surrender Date Calculated Clerically)

**A. Change:** **M29-1, Part fl, Chapter 33, Paragraph 33.03.**

**B. Purpose:** **To reflect a new, expanded table and paragraph advising the insured to pay annual interest when due.**

C. Procedure: Page 33-3, delete section "h" and substitute the following:

**h. When requesting repayments to reduce the loan balance, the amount requested will be determined by the schedule below, and the subsequent paragraph will be used to inform the insured of the annual loan interest due.**

| Total Amount of Indebtedness | Suggested Monthly Payment Amount |
|---|---|

**Up to $1,200**

**$6**

**$1,200.01 to $ 1,800**

**$ 8**

**$1,800.01 to $ 2,200**

**$10**

**$2,200.01 to $ 2,600**

**$12**

**$2,600.01 to $ 3,000**

**$14**

**$3,000.01 to $ 3,400**

**$16**

**$3,400.01 to $ 3,800**

**$18**

**$3,800.01 to $ 4,200**

**$20**

**$4,200.01 to $ 4,600**

**$22**

**$4,600.01 to $ 5,000**

**$24**

**$5,000.01 to $ 5,400**

**$26**

**$5,400.01 to $ 5,800**

**$28**

**$5,800.01 to $ 6,200**

**$30**

**$6,200.01 to $ 6,600**

**$32**

**$6,600.01 to $ 7,000**

**$34**

**$7,000.01 to $ 7,400**

**$36**

**$7,400.01 to $ 7,800**

**$38**

**$7,800.01 to $ 8,200**

**$40**

**$8,200.01 to $ 8,600**

**$42**

**$8,600.01 to $ 9,000**

**$44**

**$9,000.01 to $ 9,400**

**$46**

**$9,400.01 to $ 9,800**

**$48**

**$9,800.01 to $10,200**

**$50**

**This payment schedule assumes that you also pay the annual loan interest, when due, to prevent cancellation of your policy. We will bill you for the interest shortly before the loan anniversary date.**

2.
D. New or Revised

**Insurance Forms:**

**None**

ROBERT W. CAREY
Assistant Director for In

DISTRIBUTION:

| | |
|---|---|
| 335/29 | 120 |
| 310/291 | 245 |
| 310/290 | 45 |
| 244C | 10 |
| Library | 1 |

**g. If the insured makes- payment after the surrender date but within the 90-day period, a dictated letter will be prepared informing the insured that he or she has 3l days from the date of the letter or until the end of the 90-day period, whichever is later, to make another payment sufficient to keep the policy in force.**

**h. When requesting repayments to reduce the loan balance, the amount requested will be determined as follows:**

| Indebtedness | Total Amount Suggested Payment of Monthly Amount |
|---|---|
| $1,800.01 to $2,200 | |
| $2,200.01 to $2,600 | $12 |
| $2,600.01 to $3,000 | $14 |
| $3,000.01 to $3,400 | $16 |
| $3,400.01 to $3,800 | $18 |
| $3,800.01 to $4,200 | $20 |
| $4,200.01 to $4,600 | $22 |
| $4,600.01 to $5,000 | $24 |
| $5,000.01 to $5,400 | $26 |
| $5,400.01 to $5,800 | $28 |
| $5,800.01 to $6,200 | |

## 33.04 DIVIDEND PROCESSING

**a. The computer system will not authorize a dividend when the following conditions exist:**

**(1) The master record indicates action type 3 or 4;**

**(2) The dividend option is other than LOLl or paid-up additions; and**

**(3) The dividend year is a current date with a current callup date.**

**b. When the conditions outlined in subparagraph a are present and a dividend is due (if premiums are being paid on the policy), the computer system will generate an RPO, reason code 694, for clerical action. (The record is automatically frozen.) The Policy Service Technician will determine if the dividend payment is in order, and if so:**

**(1) A letter will be released informing the insured that the dividend is due and request permission to apply the dividend to reduce the policy loan and to change the dividend option to LOLl.**

**(2) VA Form 29-5895a, Pending Transaction Input Card, or VA Form 29-8526, Pending Transaction, transaction type 008, will be prepared as input to *insert a 45-day diary pending a reply.***

**(3) If the insured does not reply by the end of the diary period, the pending diary and the policy freeze will be deleted and the dividend authorized under the option of record by preparation of VA Form 29-8528, Paid Dividend/Dividend History, transaction type 616, without control accounts. If the insured replies before the end of the diary period requesting that the dividend be authorized under an option other than LOLl, the dividend will be authorized in accordance with the insured's request.**

**c. When the conditions outlined in subparagraph a above are present and a dividend is due, the policy is paid through the premium-paying period and the dividend option is other than paid-up additions, the computer system will automatically suppress the RPO, reason code 694, and take the following action:**

(l) Change the dividend option to LOLl; and

(2) Release VA Form 29-8348 to the insured with the following message:

Your Government Life Insurance policy provides that when a loan indebtedness equals or exceeds the cash value, the policy will be canceled automatically and cannot be reinstated. We have changed your dividend option to the indebtedness option and will use your dividends to reduce the loan indebtedness. We suggest you make monthly payments to reduce your indebtedness so as to continue your protection.

## *33.05 INSURED REQUESTS REFUND OF DIVIDEND DEPOSIT*

a. If, after the first or final notice has been sent and the action type is 3 or 4, the insured requests refund of all or part of the dividend deposit balance before the automatic surrender date, or when the action type is other than 3 or 4 and the input to refund all or part of the dividend deposit balance is rejected (reason code 480), the computer will be requested to recompute the automatic surrender date.

b. When a partial refund of the dividend deposit balance is requested and the remaining cash value (policy reserve only or policy reserve plus the reduced amount of dividend deposit) is sufficient to carry the loan indebtedness to a date later than the date the refund will be processed, the refund will be made and the automatic surrender routine initiated again.

c. However, if the insured requests refund of the entire dividend deposit balance and it is necessary to use all or part of this balance together with the policy reserve to carry the loan indebtedness to the date of refund, only that portion of the dividend deposit balance that is not needed to pay the loan indebtedness is refundable. A dictated letter will be prepared informing the insured of the amount of dividend deposit that is refundable and that, if the refund is made, the insurance will be terminated as of the date of the refund. The insured will also be told that if he or she still wants the available dividend deposit balance to be refunded, he or she has 3l days to confirm the request and if no reply is received, the dividend deposit balance will be used to keep the insurance in force for as long as possible.

## *33.06 INSURED REQUESTS CASH SURRENDER OF PAID-UP ADDITIONS AND LOAN EXCEEDS RESERVE OF PARENT CONTRACT*

a. If, after the first or final notice has been sent and the action type is 3 or 4, the insured requests surrender of all or part of the paid-up additions balance (or when the action type is other than 3 or 4 and the input to surrender the paid-up additions only is rejected (reason code 608)), the computers will be requested to recompute the automatic surrender date.

b. When a partial surrender of the paid-up additions is requested and the remaining cash value (policy reserve only or policy reserve plus the reduced amount of paid-up additions) is sufficient to carry the loan indebtedness to a date later than the date of surrender, the surrender will be processed and the automatic surrender routine initiated again.

c. However, if the insured is requesting a complete surrender of the paid-up additions and it is necessary to use all or part of the paid-up additions together with the policy reserve to carry the loan indebtedness to the date of surrender, only that portion of the paid-up additions that is not needed to pay the loan indebtedness is refundable. A dictated letter will be prepared informing the insured of the amount of paid-up additions that is refundable and that, if the surrender is made, the insurance will be terminated as of the date of the refund. The insured will also be told that if he or she still wants the available surrender value, he or she has 3l days to confirm the request and if no reply is received, the paid-up additions will be retained to keep the insurance in force for as long as possible.

## *33.07 NOTICES TO INSURED RETURNED AS UNDELIVERABLE*

a. When notices to the insured are returned as undeliverable, efforts will be made to obtain a current address. (For procedures to follow in obtaining a current address, see ch. 13.) If the current address of the insured is obtained before the date the insurance will be surrendered, a dictated letter will be released informing him or her



*of efforts to notify him or her that the insurance is in danger of surrender. The returned notice will be enclosed with the letter. If there are 90 days or less remaining before the surrender date or the surrender date has passed, the letter will inform the insured that this is the final notice and that he or she will be allowed 90 days to reduce the indebtedness.*

b. When all efforts to obtain a current address fail, notice will be considered to have been given and the insurance protection will cease as of the date the loan indebtedness equals or exceeds the cash value.

33.08 FINAL ACTION

a. If the loan indebtedness has not been reduced after the FINAL NOTICE has been released, I month after -the automatic surrender date, the computer system will generate an RPO, reason code 904. (The RPO is generated l month after the surrender date to eliminate premature purging of records because a sufficient remittance to reduce the indebtedness may have been tendered by the insured just prior to the surrender date.)

b. Upon receipt of the RPO, the Policy Service Technician will prepare:

(l) VA Form 29-5894a, Optional Segment Input Card, or VA Form 29-8525, Dividend/Loan/Lien, to delete the loan.

(2) If appropriate, an additional VA Form 29-5894a or 29-5825 to delete the dividend credit/deposit balance.

(3) VA Form 29-5897a, Accounting Control Input Card-ADP, or VA Form 29-8527, Accounting Control, to complete any necessary accounting and to purge the master record.

(4) A dictated letter advising the insured of action taken.

c. The RPO will be noted to indicate release of the necessary input documents, dated, initialed and filed in the insurance folder.

d. Any credits, such as dividend credit balance, that were not used to reduce the indebtedness will be refunded to the insured.

e. If it subsequently develops that the insured died within 90 days from the date the insurance protection ceased, the case will be referred to the Chief, Insurance Program Management Division, VA center Philadelphia, for decision if the insurance will be considered in force on the date of death.

33.09 DEATH PRIOR TO END OF 90-DAY PERIOD

a. If the insured, not having made a payment to reduce the indebtedness, dies after the date the policy would automatically be surrendered but prior to the end of the 90-day period from the date of notice, the insurance will be considered in force on the date of death. The outstanding loan, with interest to the date of death, will be deducted from the settlement.

b. If it is determined, after being notified of the death of an insured, that he or she was never notified of the potential automatic surrender of the policy, the insurance will be considered in force on the date of death. The outstanding loan, with interest to the date of death, will be deducted from the settlement. However, if the outstanding indebtedness equals or exceeds the face amount of insurance on the date of death, the policy will be terminated and no settlement will be processed.





**Change 11**

c. If no payments arc made to reduce the indebtedness 1 month after the date furnished the insured in subparagraph b above an RPO, reason code 904, will be generated. Upon receipt of the RPO, the reserves of the basic policy and the paid-up additions will be used to clerically compute a date when the loan indebtedness will equal or exceed the combined reserves.

d. If the new date is within 15 months, the insured will be advised of the date when t!~ loan indebtedness will equal or exceed the combined reserves. will also be told that if payments are not made to reduce the indebtedness, the basic policy and the paid-up additions will be terminated as of that dale.

e. If the new date is not within 15 months, the insured will be advised that the cash value of the paid-up additions is being used to keep 12's policy in force.]

b

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34.01 GENERAL CHAPTER 34. VETERANS' MORTGAGE LIFE INSURANCE

a. Public Law 92-95, approved and effective August 11, 1971, authorized the Administrator of Veterans Affairs to purchase from one or more life insurance companies a policy or policies of mortgage protection life insurance on a group basis. These policies automatically insure any eligible veteran who is or has been granted assistance in securing a suitable housing unit under 38 U.S.C. ch. 21 against the death of the veteran, unless the veteran elects in writing not to be insured under this group policy or fails to timely respond to a request from the VA for information on which his [or he?] premium can be based.

b. The Bankers Life Insurance Company of Nebraska, Lincoln, Nebraska was selected to be the insurer for the VMLI (Veterans Mortgage Life Insurance). Group Policy Number GL-1604 was issued for this purpose.

c. To facilitate the handling of administrative decisions and to maintain liaison with the VA, the insurer established the OVMLI (Office of Veterans Mortgage Life Insurance) with the following address:

Office of Veterans Mortgage Life insurance PO. Box 81497
Lincoln, Nebraska 68501

d. The insurance program is under the supervision of the VA. The VA Center, St. Paul, Minnesota, was designated the responsibility of notifying veterans concerning their eligibility for VMLI. This relates to veterans with a permanent and total service connected disability who have received a grant in securing a specially adapted housing unit.

e. Additional responsibilities of the VA center include maintaining records of all activities incident to the release of the notifications and the necessary followup requirements; the control and processing of replies; liaison with the St. Paul and Hines data processing centers for the establishment and control of deductions from benefits for the payment of monthly premiums; and the accumulation and control of all material for acceptance cases which will be forwarded to the insurer.

f. Premiums are payable monthly and are due on the 11th day of each month. They are based on the mortality costs of insuring standard lives, and are, therefore, lower than any commercial premiums for similar coverage. The Government bears the administrative cost of the insurance and all costs for claims in excess of the premiums paid by the veterans.

g. The law authorized and directed the VA to deduct the premiums charged veterans for the life insurance under this program from any compensation payable to them by the VA, and to pay such monthly premiums to the insurer. An insured veteran, not drawing compensation from the VA, must pay his [or her] premiums directly to the insurer. It is not the responsibility of the VA to see that these direct premiums are paid monthly.

h. Premiums are determined by the insurance age of the veteran, the outstanding balance of the mortgage at the time of application, and the remaining length of time the mortgage has to run.

i. When the insurance is approved on a day other than the 11th, a full monthly premium will be collected for any portion of a month.

j. As the premiums collected from insureds' benefits do not cover the cost of this program, additional funds will be transferred periodically to the Bankers Life Insurance Company of Nebraska from the compensation and pension appropriation 36X0l02. [These funds are deposited into a Contingency Reserve Fund which is regulated by OVMLI. Consistent with an agreement between the VA and OVMLI, the fund is to remain at a level no lower than $200.000 and not in excess of $400.000. To accomplish this, the manager of OVMLI telephones the Insurance Program Management Division (290), VA center, Philadelphia, each time the fund falls to the lower level and requests a contribution to the fund. (The call is ~ followed by a formal written request.) As a result of the telephone contact, a teletype is sent to the Hines DPC (data ~ processing center) advising them to disburse the required funds to OVMLI. In addition, the Director, Budget Staff (201E) and



**the Chief Benefit Payment and Accounting Policy Division (047C2), VA Central Office, are advised that the disbursement has?- been authorized.]**

**k. Figure 34.01 provides the basic requirements for VMLI and, assuming the requirements are met, the effective date of the insurance under various conditions.**

34.02 INITIAL NONFICATION TO ELIGIBLE VETERANS

**a. All living veterans who had received a housing grant as of August II, 1971, had to be contacted and offered an opportunity to apply for the insurance.**

**b. When a veteran [was] granted assistance in securing a suitable housing unit, he [/she was] assigned a PHGRC number [(currently known as a PH number)]. Using the file of PHGRC numbers maintained in the [Washington regional office (file is now maintained in Central Office)], photocopies of the PHGRC's [(formerly VA Form 4-1836 and VA Form 26-1836(372), Paraplegic Housing Grant Record Card; currently VA Form 26-1836, Specially Adapted Housing Grant Record Card)] were obtained for [those] veterans eligible for the insurance on August 11, 1971. A VMLI folder was established for each PHGRC. The Hines DPC furnished three sets of address labels for each eligible veteran based on information in the compensation and pension master records. A package for mailing was assembled for each address label. The package contained:**

**(l) FL 29-710(NR) [(discontinued)] which briefly explained the new legislation, showed the date of the mailing and the veteran's PHGRC number.**

**(2) VA Form 29-8636, [Veterans' Mortgage Life Insurance] Statement.**

**(3) Return envelope, addressed and postage free.**

**(4) An FL 29-71 l(NR) ((discontinued)], which requested the package be mailed to the veteran, when the label indicated the veteran's address was in care of a bank or other financial institution. This letter also showed the veteran's PHGRC number. The FL 29-71 1(NR) [(discontinued)] was not released when the institution appeared to be a court-appointed fiduciary (incompetency case).**

**c. The VMLI folder was noted to show the release of the package.**

**[d. See paragraph 34.09 for current processing procedures.]**

34.03 SECOND AND FOLLOWUP NOTIFICATIONS

**a. After 25 days, a second package was assembled and mailed to all veterans who had not responded to the first mailing.**

**VA Form 29-621(335), Important Notice, was also enclosed in the second mailing. It solicited the cooperation of the veteran. The FL 29-710(NR)[(discontinued)] carried the new mailing date. The VMLI folder was noted to show the followup date.**

**b. For those veterans who failed to respond within 25 days of the second mailing, a letter was sent to the Director of the regional office having jurisdiction over the area in which the veteran resided. VA Form 29-8636 [ ], and a return envelope were enclosed with the letter. The letter requested the regional office, through a responsible official, to endeavor to personally contact the veteran (or guardian for incompetency cases). The veteran (or guardian) was asked to complete the VA Form 29-8636 (part A to apply for the insurance or part B if it is being declined). When the veteran (or guardian) refused to cooperate, a VA Form 119, Report of Contact, was requested. The VA Form 119 was also requested if the veteran (or guardian) could not be located. When there were any indications that the veteran no longer owned the property involving a [specially adapted] housing grant, the information was to have been included in the report. Completed VA Forms 29-8636 and/or 119 were returned to the VA Center, St. Paul, Minnesota. The VA Forms 119 that indicated a failure to cooperate or the inability to locate the veteran (or guardian), were considered as declinations.**

34.04PROCESSING REPLIES

a. All replies involving an acceptance of VMLI were acknowledged [ ] by the VA center, St. Paul.

b. When the reply involved a declination of the insurance without a reason (blocks 1 and 3 of item 3, part B, VA Form 29-8636), the veteran was asked for an explanation of the decision to refuse the insurance protection.

c. When discrepancies existed or information was incomplete in an acceptance of the insurance (part A, VA Form 29-8636), the VA center, St. Paul, corresponded directly with the veteran (or guardian). The missing information or clarification was requested by letter and, if necessary, another VA Form 29-8636 was released. When the VA Form 29-8636 contained complete information in items 2 through 8 and a signature in item 14, the veteran (or guardian) was not contacted. If the date was missing in item 15, the postmark date was entered. Missing mortgage information (items 9 through 13) was obtained from the mortgage company shown in item 8 (see subpar. d below). (Item numbers are different on later editions of this form.]

d. An FL 29-71 2(NR) [(now FL 29-712)] (currently dated) and a return envelope were released to the mortgage company for all cases involving an acceptance of VMLI by a veteran or his (or her] guardian. Whenever a mortgage company failed to respond to an FL 29-712(NR) within 25 days, another FL 29-712(NR), prominently noted in red SECOND REQUEST was released. If there was no response within 25 days of the second request, the mortgage company was contacted by telephone. If the information received from the company conflicted with that received from the veteran, or needed any clarification, the mortgage company was contacted again.

e. When a statement was returned unclaimed as a result of the first or second mailing to the veteran, the appropriate regional office was contacted for a better address. When mail was returned unclaimed as a result of a mailing to a mortgage company, the veteran was requested to verify the address. When a statement was returned unclaimed [because of the death of the veteran,] determination as to insurability was made in accordance with the instructions provided in paragraph 34.19.

34.05INITIAL PROJECT-PROCESSING NO-MATCH CASES

If no address label was received from Hines DPC, the PHGRC was reviewed to determine if there was a record of a grant having been vouchered. For those cases indicating a grant was vouchered, the PHGRC's were forwarded to Central Office Index Division. Upon return of the indexed PHGRC's they were separated into death cases (see par. 34.19 below); those with [claim] number corrections and all others. When [claim] number corrections were involved, the appropriate regional office and the Hines DPC were contacted to attempt to resolve the discrepancy. If eligibility was established, a mailing package was assembled, dated and released to the veteran. This delayed mailing also applied to all other cases that were omitted during the first mailing. When a suitable address was not apparent on the PHGRC, the appropriate regional office was contacted.

NOTE: Under no circumstances was a veteran billed for premiums for the period between August 11, 1971, and the date a declination was received as long as the declination was a response to one of the original mailings or personal contacts by a VA employee.

34.06INITIAL PROJECT-PROCESSING INPUT TO ESTABLISH DEDUCTIONS

a. Concurrent with the receipt of the address labels, the VA center, St. Paul, also received a VA Form 29-5926, Request for DFB Action, for each set of address labels. This form was used as a turnabout card for input to the system for the purpose of calculating the amount of premium to be withheld from the veteran's compensation.

b. Upon receipt of the information from the mortgage company (on FL 29-7I2(NR)) [(currently FL 29-712)], the turnabout card was clerically completed to show the

(l) Effective date of original mortgage.

(2) Duration of original mortgage in years.



**(3) Date of birth.**

**(4) Effective date of insurance.**

**(5) Amount of deduction (premium).**

(6) Mortgage balance.

**c. If a mortgage loan balance exceeded $30,000, or there was evidence of irregular payments (intermittent or ballooned payments during some part of the year or at the end of the mortgage period), a letter accompanied by the entire file of material was directed to the Office of the Chief Actuary (299), Central Office, for the computation of the correct premium. Also, if the veteran was responsible for a construction loan prior to taking possession of the house and amortization of the mortgage was delayed, the case was sent to the Office of the Chief Actuary for computation of the premium. The turnabout cards for this group were withheld from the workflow until a reply was received from the Chief Actuary.**

**d. The completed turnabout cards were sent to the St. Paul DPC to be keypunched, processed card-to-tape and transmitted to the Hines DPC. [ ]**

**e. The processed turnabout cards, including the rejects, were returend to the VA center, St. Paul, to be retained indefinitely. Additionally, the servicing DPC supplied a tabulated reject listing that was identified as MPLI EDIT REJECT LISTING. It identified each reject and the reason for rejection. If in order, the required corrections were made and a second turnabout card or suitable replacement submitted.**

34.07INITIAL PROJECT-FINAL ACTION IN VA CENTER, ST. PAUL

**a. Upon receipt of feedback information from the Hines DPC (VA Form 20-8270, C&P Master Record-Audit Writeout), the VA Forms 29-8636 were completed (items 16-20) and combined in the VMLI folder with all other related material. Information about the amount of the monthly premium (the amount appeared on the VA Form 20-8270) was released to each insured with a local form letter.**

NOTE: Item numbers on VA Form 29-8636 differ with later editions.]

**b. Declinations [were] maintained in the VMLI folders with related material in the VA center, St. Paul indefinitely. Material for other veterans (those without grants, death before the date of the law, ineligible because of age, no mortgage, etc.) are also retained at the VA center.**

34.08RECORDING ACTION TAKEN

**All actions taken such as first mailing, second mailing, letter to VA regional office, FL 29-712(NR) [(currently FL 29-712)] to mortgage company, VA Form 29-5926 completed, etc., were recorded on the VMLI folder to reflect the date and type of action taken.**

34.09NOTIFICATION OF VETERAN

**a. For a veteran becoming eligible to apply for the insurance after August 11, 1971, a copy of his[/her VA Form 26-1836, Specially Adapted Housing Grant Record Card], is mailed to VA center, St. Paul (292M), from the office of the Assistant Director for Construction and Valuation (262A), Central Office.] The St. Paul VA center will index the [PH number] through BIRLS (Beneficiary Identification and Records Locator Subsystem) before taking any other action.**

**b. The veteran will be sent a [letter which briefly explains the insurance, a VA Form 29-8636 and VA Pamphlet 29-79-2, Information and Premium Rates for Veterans Mortgage Life Insurance. The letter also requests a reply within 31 days from the date of the letter. If a response is not received within 45 days, a letter will be sent by certified mail with a return receipt requested. It will inform the veteran that failure to furnish the necessary information will terminate any coverage he/she may have had 60 days from the date of the letter. A 60-day diary will be established upon release of the letter].**



c. [If, during the diary period, a change of address is received from the Hines DPC and the return receipt card has not yet

been returned, a second letter will be released to the veteran at the new address. At this time, a new 60-day diary will be established beginning the date the second letter is released. However, if the return receipt card has been returned, a second letter will not be released and the original diary will remain unchanged.

d. In all cases, by the 50th day of the diary, the veteran will be contacted by telephone or in person regarding the required information. At this time it will be ascertained if the veteran still desires the coverage. If the veteran does desire the insurance, it will be made clear to him or her what information is needed in order to comply.

e. A VA Form 119 will be prepared showing how the veteran was contacted and the result of the contact, or showing the veteran was not contacted and the reason why. The VA Form 119 will be filed in the veteran's claims folder.

f. At the conclusion of the 60-day diary period, if the veteran has failed to comply, a letter will be sent by certified mail with a return receipt requested, informing the veteran that the coverage has ceased as of a specified date.]

34.10PROCESSING VA FORM 29-8636

[a.] Upon receipt of a VA Form 29-8636 from a veteran becoming eligible for the insurance after August 11, 1971, the VA center, St. Paul, will take appropriate action as provided in paragraph 34.04.

[b. Upon receipt of a VA Form 29-8636 from a veteran who has been eligible for the insurance but did not contract for the coverage because he or she was not obligated under a mortgage loan on the date of eligibility; or elected in writing not to be insured; or failed to timely respond to a request for information on which premiums could be based; or refinanced an existing mortgate; or obtained a new mortgage on a new housing unit after selling a housing unit which was already insured, the following procedure will be followed:

(1) The applicant will be informed in writing of the date he or she was eligible for the coverage or the date the previous coverage terminated, whichever is appropriate.

(2) The applicant will then be requested to answer the following two questions:

(a) Has your health changed in any way since the date shown above?

(b) Have you acquired any new disabilities since the date shown above?

(3) If the answer to either of the two questions (see subpar. (2) (a) and (b) above) is in the affirmative, the applicant would be requested to furnish specific information concerning the dates of treatment, and the names and addresses of any doctors or hospitals that provided treatment.

(4) Upon receipt of the above information, the case should be referred to the Insurance Program Management Division (290A), Philadelphia VA center, for review and a final decision.

(5) The Insurance Program Management Division will review the application for insurance and return a written notification of their decision. Upon receipt of the notification, appropriate action will be taken to grant or deny coverage to the veteran.

(6) In any case when the veteran does not indicate that there has been any change in his or her health status, appropriate action to grant the coverage will be initiated immediately upon receipt of his or her negative response to the health questions.]

34.11PROCESSING NO-MATCH CASES (OTHER THAN DEATH)

a. Upon receipt of a VA Form 29-8636 with part A completed and ther is no record of a [VA Form 26- 1836] being received, it will be necessary to contact the [Specially Adapted Housing Unit in Central Office to] request status of the veteran.





**b. If the [VA Form 26-1836] has been received but the information on the VA Form 29-8636 does not agree with the information on the card, action will be taken to resolve the discrepancy. If the file number does not agree, the veteran will be indexed through BIRLS and the appropriate regional office and Hines DPC contacted to determine the correct file number.**

34.12PROCESSING INPUT TO ESTABLISH DEDUCTIONS

**a. After the appropriate information is received from the veteran and the mortgage company, a VA Form 28-8645, Deduction From Benefit Code Sheet for VMLI, will be prepared. The insurance premium block will be blank except as provided in subparagraph b below. Up to nine cases may be entered on each form. (See par. 34.17 for completing VA Form 298645.)**

**b. If the mortgage loan exceeds $40 ,000, or payments are to be made on an irregular basis, or ballooned payments are to be made, [an overprinted VA Form 3230, Reference Slip, and] the entire [VMLI] file will be sent to the Actuarial Staff (299), VA center Philadelphia, for computation of the premium. Also, if the veteran is responsible for a construction loan prior to taking possession of the house and amortization of the mortgage is to be delayed, the case will be sent to the Actuarial Staff (299) for computation of the premium. These cases will not be entered on the VA Form 29-8645 until a reply is received from the Actuarial Staff (299) at which time the case will be entered on the form, including the amount of premium in the Insurance Premium block (47-51).**

**[(1) Prior to sending a case to the Actuarial Staff (299) for a premium calculation, the VMLI specialist will determine and assign an effective date to the contract. In order to assign the correct effective date, use the instructions outlined in subparagraphs (a) i and 2 below.**

**(a) In Cases Involving an Additional Grant**

**l. If flu original insurance was effective before October l, 1978, the reduced coverage was effective October l, 1978; the**

Actuarial Staff (299) will calculate the reserve credit to October 1,1978. Any difference in premiums will be refunded from V October l, 1978, to the current date.

**2. If the original insurance was effective on or after October 1, 1978, the reduced coverage will have the same effective date as the original insurance. Do not send these cases to the Actuarial Staff (299). Premiums will be refunded from the effective date to the current date.**

**(b) In Cases Not Involving an Additional Grant**

**l - If it is a case that involves previous VMLI coverage, it will be sent to the Actuarial Staff (299) for calculation of the reserve credit.**

**2. If it is an original case with a construction loan, and the amount of the mortgage is less than or equal to the maximum amount of insurance ($40.000), it need not be sent to the Actuarial Staff (299) for calculation. To calculate the premium on any such case, add l year to the term of the mortgage and use the published premium tables.**

**(c) In no case will the increase in the specially adapted housing grant result in a reduction of the veteran's eligibility for the $40,000 maximum insurance coverage.]**

**c. The completed VA Forms 29-8645 will be sent to the St. Paul DPC to be keypunched, processed card-to-tape, and transmitted to the Hines DPC. [ ]**

**d. The processed VA Forms 29-8645, including rejects, will be returned to the VA center, St. Paul, to be retained indefinitely. In addition, the servicing DPC will supply a tabulated reject listing identified as MPLI EDIT REJECT LISTING. It will identify each reject and the reason for rejection. If in order, the required corrections will be made and the case entered on a new VA Form 29-8645.**



34.14CERTIFICATES

**Each insured veteran will receive a certificate from the VA setting forth the benefits to which he or she is entitled under**

the insurance, and the essential features of it, including any provisions limiting the coverage, or reducing the benefits, to whom benefits are payable, and to whom proof of claim should be submitted. [The amount of insurance coverage is shown on the address label].

34.15INCREASE IN AMOUNT OF GRANT

**a. Eligible veterans [received] a $12,500 housing grant prior to and after the VMLI program became effective on August 11, 1971. On July i0, 1972 the amount of grant was increased to $ 17,500. [On December 31, 1974, the grant was increased to $25,000. Further, on October 18, 1978, the grant was increased to $30,000. This latter increase was made effective as of**

October 1, 1978, and is available not only to veterans submitting a grant application on or after October 1, 1978, but is also available to those veterans who received a grant prior to October l, 1978] and who, on that date, had undisbursed [grant] funds in an escrow account [ ].

b. [When supplemental grant funds are approved, Central Office furnishes the VA center in St. Paul with a supplemental VA Form 26-1836].

c. If action was not initiated when the first [VA Form 26-1863] was received, the supplemental [form] should be processed as an original card. If a premium has already been established as a result of the original card, the veteran should be contacted to determine what disposition was made of the supplemental grant. If the original mortgage principal or mortgage period has been reduced, this information should be verified through the mortgage company. If the information is confirmed, action should be taken to adjust the VMLI premium and the insurer advised to effect any refund that is due the insured.

34.16CHANGE OF ADDRESS

**a. Whenever a veteran who has received a housing grant, submits a change of address to the Hines DPC, they will notify VA center, St. Paul, and provide the current address.**

b. If the address change involves a veteran with VMLI in force, the insured will be immediately requested to inform the VA if the change of address indicates termination of ownership of the housing unit on which the mortgage insurance was obtained. He or she will also be advised that the unused portion of eligibility for mortgage insurance may be obtained on a new home only in those instances when he or she has divested himself or herself of ownership of the prior home. Continued residence in the home on which the insured mortgage exists is not a requirement in order to keep the insurance in force.

c. If the address change involves a veteran without VMLI in force, the related records will be examined to determine the status of the case. If the insurance was previously declined, or was terminated as no longer desired, or because of age, the change of address notice may be filed without further action. If the insurance was previously declined or terminated because the housing unit was sold, or no mortgage existed, or because the mortgage was paid off, the veteran should be contacted to determine if he or she is eligible to apply for the insurance. If the reply indicates eligibility to apply, a VA Form 29-8636 will be released together with a dictated letter. The letter will inform the veteran that he or she may be eligible for the mortgage insurance and the enclosed form should be completed: Part A if he or she wants to apply for the insurance, or part B if he or she does not wish to apply. If the letter is returned unclaimed and it is correctly addressed, or if a reply is received indicating no interest in the insurance, no additional action will be taken and no diary will be established nor a followup made when a veteran fails to respond to an inquiry involving a change of address.

d. If the veteran applies for the insurance, the usual development and processing as provided previously will be completed. The effective date of the new insurance coverage will begin as of the 11th day of the premium month in which the acceptance was signed. Under no circumstances will the insurance coverage be automatic when resumption of eligibility is involved. Resumption of eligibility is defined as a mortgage loan on a second or subsequent home acquired after August 11, 1971, the effective date of the law which provides for this insurance program.

e. A change of address in care of a banking institution or a guardian (incompetent case) will be disregarded and filed without further action.

**ADJUSTMENT OF PREMIUMS**

The following rules apply when adjusting VML1 premiums:

a. A recalculation of the premium is required whenever the prepayment(s) on the mortgage under which the amount of insurance is determined amounts to $600 or more from the original date of the insurance or from the date the premium was last adjusted. Ml discrepancies will be resolved by contacting the company holding the mortgage.

b. When the adjustment is made retroactively because of an error, the premium must be computed at the original age.

c. When an adjustment is made currently because of a current prepayment, the premium must be computed at the current age.

d. If the prepayment is made after the effective date of the mortgage insurance, the adjustment will be made as of the next monthly due date following the reduction.

e. Whenever the input information will cause the system to calculate the premium incorrectly, it should be manually calculated and entered on VA Form 29-8645.

(I) **A** discontinuance entry (action type 3) and an establishment entry (action type 5) is needed to change a name or file number. A single entry (action type 5) will accomplish the necessary action on premium adjustments.

| BLOCKS | TITLE | ENTRY |
|---|---|---|
| 1 | Blank | Leave blank. |
| 2-10 | File No. or Social Security No. | If file number, leave block 2 blank. |
| 11-13 | Name Code | First three letters of insured's last name. |
| 14 | No Title | Leave blank. |
| IS | Action Type | 5-If establishment. 3-If discontinuance. |
| 16 | No Title | Leave blank. |
| 17-22 | Effective Date of Original Loan (Month, day, year) | If establishment, actual effective date of loan. If discontinuance, leave blank. |
| 23-26 | Duration of Orig. Mtge. (Yrs.) | If establishment, two-digit year in blocks 23-24, and two-digit month in blocks 25-26 to show duration of original mortgage. If disc on tinuance, leave blank. |
| 27-32 | Date of Birth (Month, day, year) | If establishment, show insured's date of birth. |
| 33 | No Title | Leave blank. |
| 34-39 | Effective Date of Insurance (Month, day, year) | If establishment, show actual effective date of insurance. If a correction, use **a** date that will prevent duplicate deductions. If discontinuance, leave blank. |

BLOCKS TITLE ENTRY

40 No Title Leave blank.
b
41-45 Current Mortgage If establishment, show balance as
Balance of the original effective date of
insurance.
If discontinuance, leave blank.
46 No Title Leave blank.
47-5 l Insurance Premium Insurance premiums for all cases
where premium was supplied by the
Chief, Actuarial Staff, and on all
corrective cases. Otherwise, leave
blank.
52 No Title Leave blank.
53-58 No Title Leave blank.

(2) New cases may be entered on the same code sheets that are used for correction purposes.

(3) Corrections should be made on a current basis to insure that retroactive deductions of premiums already withheld are not made. For example, if a correction is to be made in the January cycle, and the premium for December has already been deducted, the effective date of insurance field should show a January date not earlier than the 11th of the month.

(4) Refunds of overdeductions will be made by the St. Paul VA center, who will request the OVMLI to return the necessary funds. The money will be deposited and subsequently disbursed from 36X6875, Suspense. Similarly, the St. Paul VA center will collect underdeductions from the insured and transfer them to the OVMLI. Figure 34.02 provides the effective date of premium refunds under different situations.

(a) In the case of small amounts of underdeductions, the insured will be advised of the amount and that the payment should be made to the Office of Veterans Mortgage Life Insurance, Lincoln, Nebraska. A copy of the letter will be sent to that office advising them of the amount in question.

(b) If the veteran owes an amount, the repayment of which in one sum may cause a hardship, the veteran will be advised and given the opportunity to repay the amount in a lump sum or have it taken from future compensation checks until the underpayment is paid.

34.18 ADJUSTMENT OF AMOUNT OF INSURANCE

a. If title to an undivided interest is vested in a person other than the spouse, the amount of the insurance should be computed to be such part of the total of the unpaid principal of the loan outstanding as is proportionate to the undivided interest of the veteran in the entire property.

**b. If the insured has deeded an interest in his/her home to her than the is VMLI coverage must be reduced proportionately fly. For instance, en 50 percent of 4 interest is deeded the insurance will be reduced by 50 percent a is premium adjusted accordingly. The veteran will be advised by letter of the action taken. The company ho mortgage will be notified about the reduction in the amount of insurance coverage.**

34.19 ADJUDICATION OF DEATH CLAIMS

a. When a notice of death is received and it is determined there is no VMLI in force, the following determinations will be made:

(1) **A** grant was approved and vouchered.





(2) Date of death was on or after August 11, 1971.

(3) Veteran was under age 70 on the date of death.

(4) A mortgage existed on the house on the date of death.

(5) There is no record of the veteran declining the insurance.

b. If the deceased veteran meets the foregoing requirements, the complete mortgage information will be forwarded to the insurer.

c. Upon receipt of proof of death of an insured, the St. Paul VA center will take the following action:

(1) Photocopy all pertinent material in the [SAHGRC] folder including the death certificate. The original of the death certificate will be sent to the insurer with the photocopies of the other material. The photocopy of the death certificate will be filed in the (SAHGRC] folder.

(2) If records indicate the present house is not the original, evidence will be obtained that the prior house was sold. This information must be obtained as it is the responsibility of the VA (VA center, St. Paul) to determine if the veteran is insured.

(3) Review the tabulated listings from Hines DPC to determine premium deductions. If any premiums are due on the date of death, the information will be included in the letter to OVMLI.

**(3.1) Contact person reporting the death of the veteran or next of kin for an affidavit of ownership [with a current certification] advising them that this information can be obtained from their local Registrar's office.**

(4) If there is any question about the veteran being insured and it cannot be resolved at the VA center, St. Paul, the case file with a statement of facts will be sent to the Chief, Insurance Program Management Division ((290)], VA center, Philadelphia, for a decision.

(5) After all the information and material as provided in this subparagraph have been assembled, a final review will be made to assure that all pertinent material is included and everything is in order.

(6) A letter will be prepared for the signature of the Insurance Officer to send the information and material to OVMLI. A statement that the claim is payable will be included in the letter.

(7) Upon receipt of the letter and the material from VA center, St. Paul, the insurer will complete the appropriate portion of [CL 73], Veterans Mortgage Life Insurance Death Claim Form, and send it to the mortgage holder. Upon receipt of the form, the mortgage holder completes the appropriate portion of GR 5733 and returns it to the insurer. The insurer now pays

the claim and sends a copy of the (CL 73] to the VA center, St. Paul, for their records. The form shows the name of the insured, his (or her] date of birth, location and legal description of the property, original effective date of the mortgage, amount of the mortgage, interest rate, duration of the mortgage, status of payments, principal balance, accrued interest and total amount that was due as of the date of death. The copy of the form will be filed in the VMLI folder.

34.20 RECOVERY OF EARNED AND UNEARNED PREMIUMS

a. When the VA center, St. Paul, receives a notification of a VA compensation check having been canceled because of the veteran's death, and earned or unearned premiums due have been deducted for a period when the veteran was not entitled to compensation payments, it will be necessary for the center to contact the OVMLI and request that the premiums be returned to the VA center, St. Paul, for the attention of the Chief, Insurance [ ] Division.

b. When the checks are received, they will be sent to the [Agent] Cashier, Collections and Cashier Section, Finance and (Centralized Accounts Receivable] Division, for deposit to the credit of 36F3875, Budget Clearing Account (Suspense) VA.

**SF 1081, Voucher and Schedule of Withdrawals and Credits, will be prepared to transfer credits to Hines DPC. The appropriation to be credited will be shown as 26X0102, Compensation and Pension, VA. The SF 1081 (or attached listing) will identify each veteran by name, file number, [entitlement code, regional office of jurisdiction,] amount of his(/her] credit and the reason for return of the money.**

**CORRECTED COPY**

## BASIC REQUIREMENTS FOR VMLI

1 - Housing grant has been issued.

2. Mortgage loan on house or commitment if house under construction.

3. Resides or will reside in mortgaged house.

4. Under age 70.

## INSURANCE EFFECTIVE DATE
**(assuming requirements are met)**

| CONDITIONS | EFFECTIVE DATE |
|---|---|
| l. Mortgage effective and grant issued prior 8-II-7I to 8-11-71. | |
| 2. Grant issued prior to 8-11-71. Mortgage effective after 8-1 1-71. | Date of mortgage |
| 3. Mortgage effective prior to 8-11-71. Grant issued after 8-1 1-71. | Date grant issued |
| 4. Mortgage effective and original house prior to 1-11-72. Is later. | Except mortgage on other than Mortgage effective date or grant issued after grant issue date, whichever 811-71. |
| 5. Mortgage on other than original house effective prior to 1-11-72. Grant issued prior to 1-11-72. | 1-11-72 |
| 6. Previous declination indicated or no mortgage. Application submitted subsequent to declination. | Date agreed to by VA and applicant. |

| | | |
|---|---|---|
| 7. | Previous VMLI coverage terminated. Application for coverage on new home. | Date agreed to by VA and applicant. |
| 8. | VMLI in force. Mortgage refinanced. Application for revised mortgage coverage. (If application disapproved, VMLI remains in force.) | Date agreed to by VA and applicant. |

**Figure 34.01 Basic Requirements for VMLI and Insurance Effective Date**

Figure 34.01 Basic Requirements for VMLI and Insurance Effective Date



| REASON | REFUND EFFECTIVE DATE |
|---|---|
| House Sold | Next monthly due date following the date of sale. No date of sale, the next monthly due date following the postmark date of veteran's notice. |
| Mortgage Paid Off | Next monthly due date following the date mortgage paid. No payment date, the next monthly due date following the postmark date of veteran's notice. |

| | |
|---|---|
| Insured Requests Cancellation | Next monthly due date following the postmark date of re quest or as of the premium due date for the month requested by the veteran, whichever is later. |
| Partial Prepayment | Next monthly due date following the date of reduction. |
| Unearned Premiums | Premiums deducted after a veteran's death are refundable for credit to the veteran's account when requested by the regional office involved. |

**Figure 34.02 Veterans Mortgage Life Insurance Premium Refunds**



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**CHAPTER 35. CHANGE OR CORRECTION OF NAME**

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35.02 Processing Change or Correction Y Name of Insured 35-1
35.03 Unsigned Statement 35-2

[CHAPTER 35. CHANGE OR CORRECTION OF NAME

35.01 GENERAL

a. The instructions contained herein, apply to processing change or correction of name by the Policy Service Section.

b. VA Form 29-586, Certification of Change or Correction of name, is designed for requesting change or correction of name. However, a statement over the signature of the insured, containing the necessary information, marriage license, court order of other official document will be acceptable as defined in M29-l, part J, paragraph 24.02.

c. When the original of the marriage license, court *order* or other official document is furnished, a photocopy will be obtained and filed in the folder. The original will be returned to the insured.

d. Certificate of Naturalization or Derivative Citizenship. If the change of name of the insured is made at time of naturalization, a certificate of naturalization or a certificate of derivative citizenship must be submitted as evidence of the change. Since reproduction of a certificate of naturalization or derivative citizenship is prohibited by law, photoprints will not be made. In this instance, the entry *Certificate of Naturalization (or Certificate of Derivative Citizenship), (Number and Date), issued by United States District Court of (City and State)* will be made on copy 3 of VA Form 29-587 in block marked Authority for change. The certificate will be returned to the insured by registered mail.

35.02 PROCESSING CHANGE OR CORRECTION OF NAME OF INSURED

a. Upon receipt of satisfactory evidence, a change or correction of name of the insured will be effected by preparation of a multiple set of VA Form 29-587.

b. VA Form 29-587 will be prepared and the copies routed *as* follows:

(l) Enter previous name of record in the blank space of the paragraph below the title of the form.

(2) Enter the full corrected name, as well as address, in the address space.

(3) Enter insurance file prefix and number.

(4) Enter policy number(s).

(5) Enter authority for change in blank space beneath the policy number on copy 3.

(6) The Policy Service Technician will enter his or her signature.

(7) Enter the current date.

(8) Route copies as follows:

(a) Copy l to insured.

(b) Copy 2 to Local Index. (Insurance Analyzer will prepare VA Form 07-7202d, Master Index, to notify Index and BIRLS).

(c) Copy 3 to folder.

c. Line through previous name on insurance folder and enter the corrected name.



d. Prepare VA Form 29-5896a, Transaction Type 030 to change or correct policyholder's name in the life segment of the master record. Correct any off tape records.

(1) If the how paid code is 6 (Allotment from Active Service or Retirement Pay) or 3 (Deduction from Benefits), when necessary, prepare VA Form 29-5923, Transaction Type 121 to change or correct the name code on the deduction control tape.

(2) If the how paid code is 8 (Employee Payroll Deductions), when necessary, prepare VA Form 3230, Reference Slip, and route to Collections Section, Deposit Control Unit, with a VA Form 29-5886b, RPO (Insurance Record Printout), to change or correct the name code on the master deck.

*NOTE:* When necessary to change or correct the name on a case coded GUARDIAN APPOINTED, use transaction type 080 instead of 030, as well as prepare VA Form 29-5891a.

(3) If the how paid code is 5 (disability waiver), and the insured is receiving total disability income payments, the insurance folder will be referred to the Insurance Claims Section for preparation of VA Form 20-6566, Change of Name and Address Notice, after completion of all necessary action relative to the change of name in the Policy Service Section.

e. Release premium notices with new name if necessary.

35.03 UNSIGNED STATEMENT

If statement cannot he used as satisfactory evidence because it is unsigned, release VA Form 29-586. When this form is considered unsuitable, a dictated or MTST letter may be used.]

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Chapter 36 - Conversions

A. Change: M29-1, Part II, Chapter 36. This advance manual change is issued in conjunction with Advance Manual Change No. 12-84 in M29-1, Part l, and clarifies procedures for determining effective dates for conversions. It also establishes new procedures to be followed when a conversion application is received either for an effective date more than four months in the future, or for an account on which monthly term premiums have not been paid through the premium month prior to the month in which the application is received.

B. Procedure: 1. Page 36-2, delete subparagraph 36.02c, d, and e, and substitute the following:

**c. A conversion application may not be accepted if any of the following conditions apply:**

**(1) The policy is lapsed, i.e., the premium due date of the next month due is more than 61 days prior to the postmark date of the application. Lapsed contracts may not be converted until reinstatement requirements are met. However, a policy may be reinstated and converted at the same time.**

**(2) The policy is not paid through the premium month prior to the premium month in which the application is postmarked and the remittance and/or premium credits are insufficient to pay the late premium.**

**(3) The application is for an endowment plan, and is either unsigned or was postmarked or delivered to the VA more than 31 days after the date of signature. In either case, a supplemental application should be requested.**

**d. If the insured fails to remit the initial premium, but all other requirements are met, the application should be accepted.**

e. An unsigned application should be accepted, unless it is for an endowment policy. However, if the unsigned application has a beneficiary and option designation, the designation cannot be accepted. The insured should be sent a VA Form 29-336, Designation of Beneficiary and Optional Settlement, and advised that it must be completed, signed, dated and returned in order for a change in beneficiary and/or option to be made. Any beneficiary and option designation, whether it is received with an application or independently, must be reviewed for acceptability as outlined in paragraph 15.04 of this manual. 2.M29-1, Part II

Advance Manual Change No. 13-84

2. Page 36-2, delete the note following subparagraph 36.O2f.

3. Page 36-3, delete subparagraph 36.03a and substitute the following:

a. On an antedated conversion, the reserve or difference in reserve may be paid by a direct payment and/or, if the new policy is antedated one or more years, by a loan on the new policy. The amount of reserve or difference in reserve must be paid in full. No shortages will be allowed.

4. Pages 36-3 and 36-4, delete paragraph 36.04 and substitute the following:

36.04 EFFECTIVE DATE

a. The effective date of the permanent plan selected may be classified as any one of the following:

(1) Current Effective Date - The premium due date of the premium month in which the application was submitted, or the - next following due date. A current effective date is used if no specific effective date is requested by the insured.

(2) Future Effective Date - The date any future premium becomes due after the next following due date, but not later than the 12th premium due date following the date of application. Applications with a requested conversion date of more than 120 days in advance will be diaried to a point within 120 days of the requested date and held pending along with any associated remittance. The insured will be advised by letter of the status of the account and, if applicable, of the advantage of converting with an earlier effective date to save age. If the conversion is to be for an endowment plan, however, the effective date cannot be more than 31 days from the date of signature.

(3)Past Effective Date - The date any past premium became due within any term period. Under the NSLI program it is not permissible to antedate to a younger age in order to qualify for a Modified Life plan of insurance. However, if an application is submitted during the latter half of the insured's 60th year of age (Modified Life at Age 65 - insurance age 61), or during the latter half of the insured's 69th year of age (Modified Life at Age 70 - insurance age 70), and there is evidence that the application was belatedly submitted because the insured found our instructions confusing, the • 3.



**application will be accepted and the policy will be antedated to the latest possible effective date. Under the USGLI program, it is not permissible to antedate a conversion to an age younger than 65 when converting to the Special Endowment at Age 96 plan.**

5. Page 36-4, delete paragraph 36.05 and substitute the following:

36.05 EFFECTIVE DATE OF CHANGE

a. The effective date of change for past and current conversions should be determined as follows:

(1) Use the premium due date of the premium paying month in which the request for conversion was submitted, governed by the postmark date if mailed, by the earliest VA receiving stamp date if otherwise delivered, or by the date of execution if received through military channels, if:

- (a) The premium for that month has not been paid.

(b) The insured requests that the effective date of the permanent plan be established as of the premium due date of the month in which the application is submitted, even though the premium for that month has been paid. In this event, allow credit for the unearned premium, if any, on the amount of insurance converted.

(c) To save age.

(2) Use the premium due date of the next premium paying month, unless otherwise requested by the insured, if:

(a) The premium for the month in which the request is submitted has been paid.

(b) The method of payment is by allotment or DFB.

(c) Premiums on the term contract are being waived under disability waiver provisions.

b.If the insured requests that the permanent plan be effective as of a premium due date which is later than the next premium due date, the effective date of change should be the premium due date indicated by the insured, provided the effective date requested is not later than the 12th premium due • 4.

after the postmark date of the application, and all other requirements are met. If the effective date is to be later than the fourth premium due date after the postmark date, the application will be held pending until within 120 days of the effective date.

**c. If the insured requests a current effective date, but also specifies a month in which allotment or DFB is to be established or increased, the new allotment or DFB will be established as of the date requested. The effective date and effective date of change will be the month following the month in which the allotment or DFB is established, in order to keep the premium payments one month in advance. This procedure will be followed even if it results in the establishment of a future effective date. For example, if the application was postmarked 2-21-84, and the allotment or DFB was to be established or increased as of April 1984, the conversion would be made effective May 1984. If, however, the insured is converting to an endowment plan, and the requested allotment or DFB effective month would cause the effective date of the policy to be more than 31 days from the date of signature, the effective date of conversion will be determined by the postmark date of the application.**

**6. Page 36-5, delete subparagraph 36.06a and substitute the following:**

**a. Generally, when an insured specifies a conversion date and it can be reasonably interpreted that he/she desires a current conversion, rather than an antedated or future conversion, the application will be processed as a current conversion and given an effective date consistent with the premium status of the term insurance. Further clarification will not be requested of the insured. The following are examples of such cases, using the first of the month as the due date:**

**(1)**

**Application Mailed**

**11-14-84**

**Requested Effective Date**

**12- 1-84**

**Account Paid Through**

**10-31-84**

The conversion should be granted with an effective date of 11-1-84, since the 11-1-84 premium has not been paid.

**(2)**

**Application Mailed**

**11-28-84**

**Requested Effective Date**

**10- 1-84**

**Account Paid Through**

**9-30-84**

- 5.



**The conversion should be granted with an effective date of 11-1-84, and the remittance accompanying the application used to pay the term premium due 10-1-84. If no remittance is received and there is insufficient credit to pay the 10-1-84 premium, the application will be disapproved.**

(3)

| | |
|---|---|
| Application Mailed | 11-14-84 |
| Requested Effective Date | 12- 1-84 |
| Account Paid Through | 11-30-84 |

**Normally, this conversion would be effective as of 12-1-84. However, if the insurable age would be lower as of 11-1-84, the effective date would be 11-1-84.**

7. Page 36-6, delete subparagraph 36.O7b and c, and insert the following:

b. If the effective date selected is later than the fourth premium due after the postmark date, but prior to the thirteenth, the application will be held pending until within

- **120 days of the effective date.**

c. If the effective date selected for conversion of a Limited Convertible Term policy (W) is on or after the first renewal date after the insured[1]s 50th birthday, the policy should be converted as of the day after the final day of term coverage.

d. If the effective date selected is later than the twelfth premium due date after the postmark date, the application will be disapproved and the insured will be advised to reapply in the month before the requested effective date.

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

OBEY. CAREY
Assistant Director for Insurance

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M29-1, Part ll

**Advance Manual Change No. 11-83** **December 6, 1983**

Chapter 36 - Conversions

**A. Change: M29-1, Part H, Chapter 36. This advance manual change is issued in conjunction with advance manual changes 7-83 in M29-1, Part l and**

12-83 in M29-1, Part II. It establishes new procedures for developing and processing conversions of Five-Year Limited Convertible Term insurance.

**B. Procedure: Page 36-i add: 36.20 Five-Year Limited Convertible Term Insurance - Special Provisions . . . 36-13.**

Page 36-1, paragraph 36.01, add the following sentence to sub- paragraph f: Refer to paragraph 36.20 for special provisions concerning conversions of Five-Year Limited Convertible Term insurance. Eliminate subparagraph 36.0 1g and redesignate subparagraphs 36.01h, i, j and k as g, h, i and j.

Page 36-13, add the following paragraph:

36.20 Five-Year Limited Convertible Term Insurance - Special Provisions

**a. Title 38 U.S.C. 723(b) provides that Five-Year Limited Convertible Term insurance (`1W" prefix) may not be renewed after the insured's 50th birthday. The insured is notified one year prior to the termination date that he or she must convert to one or more available permanent plans before the expiration of the final term period after his or her 50th birthday if he or she wishes to retain insurance. A second notice is sent 90 days prior to the termination date of the Five-Year Limited Convertible Term insurance.**

b. Due to the special provisions governing renewal of Five-Year Limited Convertible Term insurance, the conversion application must be carefully reviewed by the Policy Service Technician to determine whether it is timely filed. If it is determined that the application was made within 61 days from the termination date of the Five-Year Limited Convertible Term insurance, it will be considered timely filed and processed without special development. The application date will be the postmark date if the application is mailed, the earliest VA receiving stamp date if it is otherwise delivered, or the date of execution if it is received through military channels.

2.

c. If the Policy Service Technician determines that the conversion application was made more than 61 days from the termination date, the insurance records will be obtained and forwarded to the Chief, Insurance Operations Division (Philadelphia) or the Chief, Insurance Division (St. Paul), as appropriate, for review. If the conversion was applied for within 180 days from the termination date, a decision to extend the conversion period may be made by the Division Chief based on the evidence of record. If the conversion application was made more than 180 days after the termination date, and the Division Chief determines that an extension of the conversion period may be justified, the insurance records should be forwarded to the Chief, Insurance Program Management Division, for consideration. A decision to extend the conversion period may be made when the evidence of record indicates any of the following factors:

(1) A recent B&O designation or correspondence indicating that the insured intended to retain insurance,

(2) Misinformation or negligence by the VA,

(3) Conversion application filed in other records (e.g. military records),

(4) Continuation of term insurance premium payments beyond the termination date,

(5) Any other factor which under principles of equity and good conscience would cause an extension of the application period.

*d. Since premium payments beyond the expiry date of the Five-Year Limited Convertible Term insurance may be considered sufficient reason to extend the conversion period, the Policy Service Technician should be careful to refer all such cases to the Division Chief, regardless of whether the insured has filed a conversion application.*

e. If a decision is made to extend the conversion period, the Policy Service Technician will notify the insured that he or she has 31 days to complete and return a VA Form 29-358, Application for Conversion, unless a conversion application has already been filed. The Policy Service Technician will also notify the insured that he or she must remit a payment sufficient to cover premiums from the effective date of the new policy (the day after the expiry date of the Five-Year Limited Convertible Term policy) through the current premium month. Any premiums paid and accepted after the expiry of the Five-Year Limited Convertible Term policy will be applied toward the new policy to determine the amount of premiums due.

3.

**f. If a decision is made to disapprove the conversion application, the Policy Service Technician will notify the insured in writing that the application has been disapproved and that any evidence which would support a different decision should be submitted for consideration. Any unearned premiums retained by the VA will be refunded to the insured at this time.**

**g. If premium payments for the Five-Year Limited Convertible Term insurance are being waived due to the insured ?5 total disability on the final termination date, the insurance will not be terminated for failure to file a timely conversion application. The Policy Service Technician will review the records to determine whether the conversion applications were sent to the insured. If the notifications were sent and no reply has been received, the Five-Year Limited Convertible Term insurance will be converted to Ordinary Life and no further action will be taken. If the 90 day notification was not sent, the policy**

**will be converted to Ordinary Life, and the insured will be notified of our action and allowed 31 days to advise us if he or she wants conversion to one or more of the other available permanent plans.**

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

ROBERT W. CAREY

Assistant Director for Insurance

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# CHAPTER 36. CONVERSIONS

## 36.01 GENERAL

**a.** The policy, rules and requirements for converting term insurance are included in M29-l, part **I,** chapter 18.

b. The Policy Service technician will complete all actions when processing an application for conversion, including the preparation of input documents.

c. VA Form 29-358, Application for Conversion (NSLI-USGLI), should be used by NSLI (National Service Life Insurance) and **USGLI** (United States Government Life Insurance) applicants.

d. Application for Exchange to Special Endowment at Age 96 Plan, should be used by USGLI applicants age 65 and over when applying for the Special Endowment at Age 96 plan of insurance.

e. An informal request for conversion clearly specifying the plan desired and amount of insurance to be converted will be considered as an acceptable application.

f. The 5-year level premium term and 5-year limited convertible term insurance under premium-paying conditions, may be converted, wholly or in part, in multiples of $500, but not less than $ l ,000 to the various plans of insurance available under the same insurance program.

g. Insurance issued under 38 U.S.C. 621 (RS) which has been exchanged for a limited convertible term policy (W) cannot be renewed after the policyholder's 50th birthday. If continuous insurance protection is desired, the contract must be converted before the end of the term period which ends after the 50th birthday. However, if the premiums for the W term policy are being waived under 38 U.S.C. 712 on the final termination date, the insurance will not be terminated. If conversion notifications were sent to the insured and no reply is received, the W term policy will be automatically converted to an ordinary life policy.

h. Two or more term contracts bearing different premium due dates, or different effective dates but the same premium due date, may be consolidated and converted as of the premium due date of the contract bearing the latest effective date. Such consolidated contract may be antedated in the same manner as a single contract, except that the effective date may not be before the effective date of the term contract bearing the latest effective date.

i. When two or more term policies with dividend credits and/or paid-up additions are consolidated and converted, the dividend credits and/or paid-up additions `will also be combined and retained as part of the converted policy.

j. When a policy `with paid-up additions is split in two or more policies, the insured will be advised that all or part of the paid-up addition may be allocated to either contract, if the amount of paid-up additions to be split is involved in the conversion.

k. When a term policy `with paid-up additions is converted to an endowment plan, the paid-up life additions may be retained, without any adjustment. The reserve of the paid-up life additions may be applied to purchase paid-up endowment additions based on the basic endowment policy and the attained age of the insured, or purchase the same amount of paid-up endowment additions as there were paid-up life additions `with the insured paying the difference in reserve.

**36.02**

**INITIAL PROCESSING OF APPLICATION**

a. When a VA Form 29-358, or an informal request for conversion is received in the Policy Service Section, the Policy Service technician will review the application to determine if all requirements have been met.

b. Generally, a VA Form 29-5886b, Insurance Record Printout, is received with the application; if it is not, it will be requested. The Policy Service technician `will compare the identifying information such as name, address and insurance



**numbers with the VA Form 29-5886b. Also, if the insured has more than one policy, flu application will be checked as to which policy the insured desires to convert.**

c. A conversion application is acceptable provided that:

(I) The application is [postmarked] within 61 days of the next premium due date. (Lapsed contracts cannot be converted until reinstatement requirements are met.)

(2) The postmark date of the application or the date it was otherwise delivered to the VA is within 31 days from the date the application was signed.

(3) The application is unsigned and is not for an endowment plan.

(4) All other requirements have been met, but the insured failed to submit the initial premium.

(5) When the how paid code is 7 (In-Service Waiver of Premiums) on the RPO and there is no break in the service dates.

d. If the unsigned application is for an endowment plan and all other requirements have been met, the insured `will be sent a supplemental application.

e. If the application was postmarked or delivered to the VA more than 31 days after the date of signature, the application `will be approved.

f. Whenever it is necessary to disapprove an application or request a supplemental, the insured `will be advised by a dictated or automatic typewriter letter of the action taken. If the application has been disapproved, the insured `will be furnished new requirements. A VA Form 29-358 will also be enclosed. If a supplemental application is needed, a photocopy ~ of the original application will be made and enclosed `with the letter. The photocopy will be noted SUPPLEMENTAL (in red) W in the upper right corner. The signature block will also be circled.

NOTE: If the unsigned application has a beneficiary and option designation, the insured should be advised that unless the photocopy is signed, dated and returned, the beneficiary and option designation is not acceptable. Also, it should be noted that whenever an application is received indicating a beneficiary and option designation, it will be reviewed for acceptability as outlined in paragraph 15.04 of this manual.

g. After a conversion application has been reviewed for the items listed in subparagraph c above, the following guidelines `will be used in determining if the insured is eligible for the amount and plan of insurance applied for:

(I) Determine the amount of insurance to be converted [as follows:

(a) If the insured shows the full amount of the policy to be converted in item 6A and leaves the "Amount of Term Insurance To Be Continued" (item 6D) blank, convert the full amount.

(b) If the insured shows the full amount of the policy to be converted and inserts an amount in "Amount of Term Insurance To Be Continued" (item 6D), convert the full amount and disregard the amount to be retained.

(c) If the insured indicates a desire to convert an amount less than the full amount of the policy and leaves the "Amount of Term Insurance To Be Continued" (item 6D) blank, convert the amount shown and retain the balance.

(d) If the insured indicates a desire to convert less than the full amount of the policy and shows an amount equal to the balance of the policy in the "Amount of Term Insurance To Be Continued" (item 6D), convert the amount shown and retain the balance.

(e) If the insured indicates a desire to convert an amount less than the full amount of the term policy and shows an

**amount which, when added to the amount being converted, is less than the full amount of** the **policy in "Amount of Term Insurance To Be Continued" (item 6D), convert and retain the amount shown on the application.**

(f) If the insured indicates a desire to convert an amount less than the full amount of the term policy and shows an amount which, when added to the amount being converted, is greater than the full amount of the policy in "Amount of Term Insurance To Be Continued" (item 6D), convert and retain up to the full amount of the policy. Advise the insured that the amount to be converted and continued cannot exceed the face amount of the policy.]

(2) If a premium for the converted policy was not received and there is insufficient reserve credit and/or premium overage available, the conversion `will be processed. The effective date of conversion and next month due will be the same.

(3) If the insured is totally disabled and requesting an endowment plan and the policy prefix is other than K, an endowment plan is not permitted.

(4) Conversion to special endowment at age 96 for K policyholders is not permitted unless the insured has reached his or her 65th birthday.

CHAPTER 36. CONVERSIONS

A. Change: M29-1, Part 11, Chapter 36. This change is issued to correct misinformation contained in paragraph 36.02h in regard to premium rates on V and H policies at ages 60 through 65 being identical for Ordinary Life and 30-Payment Life plans.

3. **Procedure: Page 36-3, delete paragraph 36.02h and substitute the following:**

**h. The premium rates for V and H policies age 60, 61, 63, 64 and 65 are identical for Ordinary Life and 30-Payment Life. The premium rate at age 62 for a 30-Payment Life V and H policy is one cent per/thousand per/month greater than an Ordinary Life age 62 V and H policy. Therefore, the 30-Payment Life policy will be issued in lieu of the Ordinary Life plan for ages 60 through 65. An insured whose attained age is 73 through 75 will be issued a 20-Payment Life policy in lieu of the Ordinary Life policy, since the premium rates are the same. The insured will be advised that the plan substitution was made in his or her best interest.**

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

PAUL F. KOONS
Assistant Director for Insurance

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(5) if the insured selects an endowment plan, the health question must be answered. If the insured answered YES or there is evidence of disability in the folder, the application will be referred to the Medical Determination Section for a decision as to its acceptability. If the question is unanswered, a FL 29-615 will be released requesting that part II of the form letter be completed. Upon return of the FL 29-615, it will be referred to the Medical Determination Section for a decision as to its

acceptability. The current effective date cannot be more than 31 days from the date the application was signed.

h. Since the premiums on V and H policies at ages 60 through 65 are identical for ordinary life and 30-payment life, the 30-payment life policy will be issued in lieu of the ordinary life plan. This is also true for an insured whose attained ages are 73 through 75 in which case the 20-payment life policy will be substituted for the ordinary life plan. The insured will be advised that the substitution was made in his or her best interests since the premiums on the limited life plan and the ordinary life plan are the same.

**36.03**

**RESERVE**

a. On an ante dated conversion, the reserve or difference in reserve, may be paid by a direct payment and/or a loan on the new policy, if the new policy is antedated 1 or more years. The amount of reserve or difference in reserve must be paid in full. No shortages will be allowed.

b. Term reserve credit will not be allowed under the following conditions:

(l) Term policies on which premiums are being waived under 38 U.S.C. 724.

(2) Exchange to an endowment at age 96 (USGLI).

c. Usually the reserve on the term policy is used as a credit toward the initial premium for the new policy. However, if it is not administratively possible to apply the credit because premiums are being waived (38 U.S.C. 712 or 748) or paid by allotment, DFB (deduction from benefits), or payroll deduction, the reserve credit ($1 or more) will be refunded to the insured. If reserve is less than $1 hold as a premium credit.

d. The amount of fractional values reserve will be determined from the applicable tables in the following manuals:

(1) K - M294, part II.
(2) V or H - M29-2, part 111A.
(3) RS or RH - M90-6, parts I and **II.**
(4) W - M29-8, part III.

**36.04** **EFFECTIVE DATE**

a. The effective date of the permanent plan selected may be established as any one of the following:

(l) **Current Effective Date-is** the premium due date of the premium month in which the application was submitted, or the next following due date, or is the month preceding the month in which the application was submitted provided the premium for that month was not paid.

(2) Future **Effective Date-is** the date any future premium becomes due after the next following due date. This date must be no later than the fourth premium due date following the date of application. However, when conversion is to an endowment plan the effective date cannot be more than 31 days from the date of signature.

(3) **Intermediate Effective Date-is** the date any past premium became due within any term period. Under the NSLI program it is not permissible to antedate to a younger age in order to qualify for a modified life plan of

insurance. However, if an application is submitted during the latter half of the insured's 60th year of age (modified life at age 65-insurance age 61), or during the latter half of the insured's 69th year of age (modified life at age 70-insurance age 70), and there is evidence that the application was belatedly submitted because the insured considered our instructions confusing, the application will be accepted and the policy will be antedated to the latest possible effective date. Under the USGLI program, it is not permissible to antedate a conversion to an age younger than 65 when converting to the special endowment at age 96.

(4) **Original Effective Date-is** the effective date of the original term contract.

(5) **Effective Date Not Indicated-is** the current effective date when all of the requirements have been met.

36.05 EFFECTIVE DATE OF CHANGE

a. The effective date of change for conversion will always be the premium due date and will be determined as follows:

(I) Use the premium due date of the premium paying (not calendar) month in which request for conversion was submitted, governed by the postmark date if mailed, by the earliest VA receiving stamp date if otherwise delivered, or by the date of execution if received through military channels if:

(a) The premium for that month has not been paid, or,

(b) The insured requests that the effective date of the permanent plan be established as of the premium due date of the month in which the application is submitted, even though the premium for that month has been paid. In this event, allow credit for the unearned premium, if any, on the amount of insurance converted.

b. Use the premium due date of the next premium paying (not calendar) month, unless otherwise requested by the insured if: w

(I) The premium for the month in which the request is submitted has been paid.

(2) The method of payment is by allotment, DFB, or by payroll deduction.

(3) Premiums on the term contract are being waived under the inservice or disability waiver provisions.

c. Use the premium due date indicated by the insured, if the insured requests that the permanent plan be effective as of a premium due date which is later than the next premium due date, provided the effective date requested is not later than the fourth premium due after the postmark date of the application, and all other requirements are met.

d. When an application for conversion is received and the insured indicates a current effective date, and shows the month the allotment or DFB is to be established, the effective date of conversion will be the month following the month in which the allotment or DFB is established (or in some cases increased) in order to keep the premium payments 1 month in advance.

EXAMPLE: Application for conversion PMD 2-21-76, allotment or DFB to be established or increased effective April 1976, the conversion will be made effective May 1976.

e. When an endowment plan is selected and premiums are being paid by allotment or deduction from benefit payments and the MONTH ALLOTMENT EFFECTIVE will cause the effective date of the policy to be more than 31 days from the date of signature, the effective date of conversion will be determined by the postmark date of the application.



36.06 CURRENT EFFECTIVE DATE

a. Generally, when an insured requests a date of conversion that can be interpreted as a current effective date, as opposed to an antedation or a future date, the application will be processed **as** a CURRENT DATE conversion without requesting any further clarification from the insured. The following are examples of the types of cases involved using the first of the month as the due date:

**(1)** **Application mailed 11-14-75**
**Requested Effective Date 10-01-75**
**Account Paid Through 10-31-75**

**The conversion may be granted with an effective date of 11-01-75 provided the insurable age does not change.**

**(2)** **Application mailed 11-14-75**
**Requested Effective Date 12-01-75**
**Account Paid Through 10-31-75**

**The conversion may be granted with an effective date of 11-01-75.**

**(3)** **Application mailed 11-28-75**
**Requested Effective Date 11-01-75**
**Account Paid Through 09-30-75**

**Provided the conversion would not result in the issuance of a lapsed policy, the conversion may be granted effective 10-01-75.**

NOTE: The provisions of VA Regulations 3018 for USGLI and 3407.2 for NSLI provide for acceptance of delayed underwriting applications (within 61 days of the due date) when accompanied by a premium payment.

**(4)** **Application Mailed 11-14-75**

**Requested Effective Date 12-01-75**

**Account Paid Through 11-30-75**

**Normally, this conversion would be effective as of 12-01-75. However, if the insurable age would be younger as of 11-01-75, the effective date will be 11-01-75.**

**b.** In **all** of the above instances, the insured will be advised of the reason for changing the requested effective date. He or she will also be advised that if our action is not agreeable, further requirements will be sent upon request.

c. Be aware at **all** times of the possibility of granting an effective date to save age of the insured, providing it does not become an antedated conversion.

**36.07 FUTURE EFFECTIVE DATE**

a. When the insured requests **a** conversion to be effective as of a future date, process the application if:

(1) Premiums are paid through the premium month immediately preceding the requested effective date.

(2) The requested effective date is not later than the fourth premium due date after the postmark date of the application.

**(3)** Monetary requirements have been met.

**!1-**



b. If the effective date selected is later than the fourth premium due date after the postmark date, the application will be disapproved and the insured will be advised to reapply in the month before a requested effective date.

c. When granting a future effective date, be cognizant of insurance originally issued with an RS prefix which was exchanged for a Limited Convertible Term policy (W). This plan of insurance cannot be renewed after the insured's 50th birthday. The effective date of conversion cannot be beyond the renewal date.

36.08 INSURED RATED MENTALLY INCOMPETENT

a. When the insurance records indicate the insured is incompetent and a fiduciary has not been appointed, conversion may be effected provided the insured possessed sufficient mental capacity to understand the nature of his or her act. To establish the insured's ability to make such a contract change, the application and insurance folder will be forwarded to the Insurance Claims Section for a determination.

b. When the insurance records indicate the insured is incompetent and a fiduciary has been appointed, application may be made by the fiduciary, with the approval of the appropriate

court, if required by State laws. It is not necessary for a fiduciary to obtain court approval if the insured has been totally disabled for 20 years or **more.**

c. When a fiduciary has been appointed, and the insured, during a period of lucidity, signs an application, the fiduciary must also sign the application, and if required, secure approval of the court which made the appointment. A letter, accompanied by the application, will be sent to the fiduciary explaining the circumstances and requesting his or her signature. It will not be necessary to determine the mental capacity of the insured.

36.09 CLERICAL PROCESSING

a. The following types of conversion actions cannot be automatically processed by the computer system, and therefore, require the clerical preparation of input to update the master record:

(I) Consolidation and conversion when contract being deleted has pending transactions or optional segments other than TDIP.

(2) Antedate d reduction and conversion.

(3) Term policy is being split and converted to three or more permanent plans or there are three or more policies on tape.

(4) Conversion of USGLI (K) accounts.

(5) Dividend credit is being applied to pay premiums and/or premiums and difference in reserve to antedate policy.

(6) Two or more pending remittances required to validate conversion.

(7) Amount of insurance not in multiples of $500.

(8) Single remittance to be applied to two or more policies.

(9) Policy(ies) being converted has a $5 TDIP age 60 rider; $10 TDIP age 60 rider and TDIP age at conversion is 55 or over; $10 TDIP age 65 rider and TDIP age at conversion is 61 years or over.

**(10) Split conversion-dividend credit balance on term policy.**

**(II) Term policy when 724 waiver** is **terminated during current term period.**



b. Clerical preparation of input is required to change or update each segment of the master record affected by the conversion action. Detailed coding instruction of input documents are outlined in MP-6, part II, Supplement Nos. 2.1 and 2.2. VA Form 29-5886b, will be coded as the primary input document. An OCR (optical character recognition) document will be completed for those transactions that cannot be coded on the RPO. Keypunch input cards will be used only in those instances when no OCR document has been provided.

c. The following input documents and forms will be processed:

(1) VA Form 29-328, Underwriting Worksheet, for filing in the insurance folder.

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

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

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

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

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

(6) VA Form 29-8530, Life Miscellaneous, transaction type 000. The policy issue code entered on this document will cause the system to automatically issue the appropriate policy and/or status. It is important to control the sequence of this document by completing the sort field, to assure that it is processed after all other changes have been completed.

d. In addition to the above inputs, the following forms, if applicable, will also be prepared:

(I) VA Form 29-8528, Paid Dividend/Dividend History, to adjust dividends.

(2) VA Form 29-5934, Change of Address for Insurance Purpose, if address change is required.

(3) VA Form 29-8525, Dividend/Loan/Lien, transaction type 004 or 084, to insert or make changes to the dividend credit or adjust paid-up additions, transaction type 005 or 085 to insert or make changes to the loan segment and/or 006 or 086 to insert or make changes to the lien segment.

NOTE: Inserting or changing the above segments will require, as applicable, a VA Form 294459, Dividend Deposit/Credit Statement; VA Form 29-8668, Statement of Paid-Up Additions, or a VA Form 29-1468b, Notice of Approval of Policy Loan, and/or a lien letter.

(4) VA Form 29-8531, TDIP, transaction type 007 or 027 to insert or change date in the TDIP segment in the master record. When transaction types 007 and 027 are used, the control sort field should be completed to assure proper sequence of inputs being processed.

(5) If the case is being processed in the VA Center, St. Paul and subsequent premiums are to be deducted from VA benefit payments, allotment from service department active, or retirement pay, a VA Form 29-8522, transaction type 082 with **a** 951 policy callup code will be prepared to assure that the records will be transferred, to the VA Center, Philadelphia.

(6) When premiums are being paid by deduction from service pay or VA benefit payments, action will be taken to adjust the deduction in accordance with M29-1, part **II,** chapters 29 and 30.

a. The computer system will automatically accomplish the following actions upon acceptance of a VA Form
29-8520, Underwriting, or VA Form 29-5886b coded with a transaction type 000.

NOTE: Instructions for coding of input with transaction type 000 are outlined in MP-6, part II, supplement Nos. 1.2 and 2. 2.

(1) Update policy, premium, TDIP and other optional segments of the insurance master record.

(2) Apply initial payment and any credit(s) identified on the input.

(3) Release policy for new plan of insurance and TDIP rider if involved.

(4) Refund or apply reserve credit from the term policy in accordance with disposition code on input.

(5) Delete all 970 conversion diaries.

(6) Authorize dividend(s) payable on term policy.

(7) Release status on direct pay accounts only.

(8) Establish lien for cash dividend overpayment and generate an RPO with reason code 008/968 for clerical processing.

(9) Generate an RPO with the message DIVADJ when a dividend adjustment is required because the option is other than cash.

(10) Generate an RPO with reason code UWY on a split conversion when the original term policy has a paid-up additions segment.

b. When premiums are being paid by allotment or DFB, the system will automatically accomplish the following actions in addition to those normally involved in the processing of **a** conversion on direct pay accounts:

(1) Prepare and release a VA Form 29-1588, Request for Allotment Deduction Change, or VA Form 29-5926, Request for DFB Action, to adjust the deduction to provide the amount needed to pay the new premium under the following conditions:

(a) Single policy case.

(b) The conversion is for full amount.

(c) The present deduction equals the term premium.

(d) The present deduction is paying currently or on a month-in-advance **basis.**

**(e)** The action type is other than 20.

(2) Insert **a** pending diary message showing the month, year and amount of anticipated discontinuance.

NOTE: If the system fails to release either a VA Form 29-1588 or VA Form 29-5926 after processing a conversion, an RPO with reason code 118 will be generated for clerical preparation of the appropriate form.

c. When **a** conversion is being processed on a direct pay account and the insured desires that future premiums are to be paid by allotment or DFB, the Policy Service technician will prepare and release **a** VA Form 29-1588 or





**Chapter 36 - Conversions**

A. Change: M29-1, Part II, Chapter 3. This Advance Manual Change is issued in conjunction with Advance Manual Change 6-84 in MP-6, Part II, Supplement No. 1.4, which introduces RPO reason code 966. An RPO with reason code 966 is generated when the system processes a conversion on a payroll deduction or direct pay account, but does not release status because there are insufficient moneys to pay the initial premium.

B. Procedure: Page 36-9, add the following as subparagraph 36. 10f:

f. In those instances when the system processes a conversion and generates an RPO with reason code 966, release status notice and initial bill clerically.

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

ROBERT W. CAREY
Assistant Director for Insurance

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*VA Form 29-5926, and a VA Form 29-547, Notice-Important Information About Your Government Life Insurance, or* ***a*** *VA Form 29-5707, Acknowledgment Request for Deductions from Benefit Payments. A 953/978 diary message will be inserted.*

**d. After all action has been taken to process the application either automatically or clerically, the application will be stamped APPROVED dated and initialed by the Policy Service technician, and stamped** READY **FOR FILE. The application will be forwarded for ailing in the insurance folder.**

e. In those instances when the system processes **a** conversion and generates an **RPO** with reason codes 965/967, a VA Form 29-547 will be prepared to notify the insured of approval of the conversion.

36.11 TOTAL DISABILITY WAIVER-PENDING

When an application for conversion is received and the RPO shows a pending disability waiver diary, [forward the application and insurance folder to Insurance Claims Section with **a** request as to the status of the claim for waiver and if **a** decision can be made immediately. If **a** decision cannot be made, the application for conversion will be processed. However, the conversion action `will be suspended until a decision is reached if conversion to **an** endowment policy is requested.] When the waiver decision is completed, the case will be returned to the Policy Service Section for processing of the [application for] conversion.

36.12 TOTAL DISABILITY WAIVER IN EFFECT

**a. NSLI term insurance on which premiums are being waived under 38 U.S.C. 712 may** be **converted to any of the permanent plans of insurance available except the endowment plans.**

**b. USGLI term insurance on which premiums are being waived (if insured is not** T/P **(total and permanent)) under 38**
**U.S.C.** 748 may be converted to any of the permanent plans, including endowment plans.

**c. When VA Form 29-358 for conversion is received and premiums on the account are waived, the applicant will be advised by letter of the exact premium for the plan selected unless the correct premium is entered in the payment block on the application.**

36.13 TDIP PREMIUM RATES

a. When an NSLI term policy with TDIP age 60-$5 or $10 rider is converted and flu rider is to be continued on the b permanent plan, the premium rate for the rider is determined by the permanent plan policy selected and the insurance age as
*of the date of change. When the insurance age at the time of conversion is 55 or older, the TDIP age remains the same.*

b. When an NSLI term policy `with TDIP age 65 rider is converted and the rider is to be continued on the permanent plan Policy and the rider was issued or last renewed at the rate for age 54 or under, the conversion will be processed in the usual way; that is, the premium for the rider being continued is the rate for a new issue of the permanent plan TDIP age 65 rider at the insured's attained age (TDIP age) on the date the conversion is effected.

c. When the NSLI term age 65 rider was last renewed at age 55 or over, and TDIP premiums on the permanent plan rider are scheduled for payment to the insured's 65th birthday (TDIP cease code 3), the rate is the same as that heretofore paid on the term rider.

d. When the NSLI term `with TDIP age 65 rider was last renewed at age 55 or over, and TDIP premiums on the permanent plan rider are scheduled for payment to age 64 or under (TDIP cease code 2), the rate will be furnished by the Actuarial Staff (310/299), VA center, Philadelphia.

e. When USGLI (K) term insurance `with TDIP is converted and the **TDIP** is continued on the permanent plan policy, the term TDIP will not be terminated. If converted to ordinary life, the original TDIP effective date and premium will b- continued. On other available permanent plans, the original effective date will be continued but **a** new premium rate will be payable.



f. Definition of Disability Rider Codes:

(1) TDIP cease code I-Age 60 rider-rate code l=Age 60-$5 rider.

(2) TDIP cease code 2-Age 65 rider-rate code 2=Age 60 or 65-$10 rider.

(3) TDIP cease code 3-Age 65 rider-rate code 3=Age 60 or 65-$I 0 rider.

36.14 CONVERSION WITH TDIP RIDER

a. Applications for conversion of a term policy with a TDIP rider attached should indicate clearly whether the TDIP is to be continued on flee converted policy. If no provision is made for converting the TDIP and the only evidence of record is a blank space or the insertion of dashes, the insured will be asked to clarify his or her intent.

b. The Policy Service technician `will release a letter to the insured explaining that if the rider is not continued at the time of conversion, an application `will not be accepted on or after the insured's 55th birthday. The insured should also be advised that if no reply is received `within 15 days of the date of our letter, the TDIP rider will not be continued on the converted policy.

c. The Policy Service technician will delete any 970 diary from the master record and insert a 30-day diary with the message 970 CONV.

d. If the insured does not reply within the 30-day period, flu conversion will be processed without the TDIP rider.

e. When an insured indicates continuance of the TDIP rider on the converted policy(ies), the Policy Service technician **will** ~ process the application as follows:

(1) If the TDIP premium rate quoted by the insured is incorrect or the rate is not shown, flee conversion application will b processed.

[(2)] **The insured `will be advised by letter of the correct TDIP and insurance premium rates for the new policy [only if the rider being continued is a $5 or $10 age 60 rider and TDIP age at conversion is 55 or over or if it is a $10 TDIP age 65 rider and TDIP age at conversion is 61 years or over.] If the rider being continued is a $5 or $10 age 60 rider the insured should also be advised of the availability of the $10 age 65 rider.**

**[(3)] If the insured objects to the increase in the TDIP premium rate and requests discontinuance of the rider, it `will be canceled as of the effective date of conversion. Any TDIP premium payments submitted after the date of conversion will be refunded.**



36.15 CONVERSION DISAPPROVED-TERM INSURANCE TO BE CONTINUED

**When it is necessary to disapprove an application for conversion, and premiums have been tendered for the permanent plan, take action to continue the term insurance in force as follows:**

a. **Premiums Paid Direct**

(1) When an application for conversion of the full amount of an insurance contract is disapproved, or an application for conversion of part of an insurance contract on which the insured indicated a desire to continue the remaining amount of term insurance in force is disapproved, apply the money tendered as premium for the permanent plan to pay premiums on the term insurance for as many months as possible.

(2) When an application for conversion of a reduced amount of insurance is disapproved, and the insured does not desire to continue the remaining amount of term insurance equal to the amount indicated in the application for conversion, apply the money tendered as premium for the permanent plan to pay premium on the reduced amount of term insurance for as many months as possible.

b. **Premiums Paid by Allotment or DFB**

(I) When an application for conversion of the full amount or reduced amount is disapproved, the insured will be advised of the reason for disapproval of the application and provided with status of the term policy and an application for conversion in the event he or she should desire to reapply.

(2) When an acceptable beneficiary designation appears on the application, it will be processed and the insured will be requested to confirm the designation.

36.16 CHANGE OR WITHDRAWAL OF APPLICATION

a. When a properly signed request for withdrawal, or for a change in plan or amount, other than stated in the original application for conversion, is received in the VA, and bears a postmark date before the EFFECTIVE F DATE OF CHANGE, or there is evidence that such request was placed in military channels before the EFFECTIVE DATE OF CHANGE, the insured's request will be granted. Also, when a request for a permissible plan or amount, other than that stated on the application, is submitted within 60 calendar days from the date of conversion, it will be granted. After 60 calendar days from the effective date of conversion, any change to the contract will be processed as a change of plan. The insured **will** be informed of the necessary additional requirements to change the insurance to the amount and plan desired.

b. When request is acceptable for a change in the plan and/or amount of the original application, take action as follows:

**(l)** If the original application was not processed, effect conversion for the plan and amount indicated in the latest request.

(2) If the original application was processed, cancel the conversion, restore the term insurance, and effect conversion for the plan and amount indicated in the latest request.

(3) Advise insured of the action taken.

36.17 REINSTATEMENT AND CONVERSION

a. If insurance is in a lapsed status, reinstatement requirements must be met before the conversion may be effected.

b. Reinstatement and conversion of a term contract, wholly or in part, may be processed in one operation on one VA Form 29-328, Underwriting Worksheet. When reinstatement and conversion are effected at the same



time, the conversion may be made in any manner prescribed for conversions, that is, the permanent plan contract may be issued with a current effective date, antedated to the effective date of the original term contract, or an intermediate premium due date. When a reduced amount of insurance is reinstated and converted, the EFFECTIVE DATE OF CHANGE for the reduction will be the due date of the premium in default (date of lapse).

c. When an applicant for reinstatement and conversion requests that the permanent plan contract become effective as of a future date but remits an amount sufficient to pay only the term premium for the month of lapse and the first premium on the permanent plan, the application for conversion will be disapproved. Process the application for reinstatement and advise the insured accordingly. Enclose a new VA Form 29-358.

d. When reinstatement and conversion are to be effected at the same time, it will not be necessary to prepare input to show the reinstatement of the term contract. VA Form 29-5895a or VA Form 29-8526 will be prepared to insert any necessary pending dividend due on the reinstated term contract. Input, as necessary, will be prepared to change or insert the master record.

36.18INADVERTENT CONVERSION OF NSLI TO AN ENDOWMENT PLAN WHILE INSURED IS TOTALLY DISABLED

If it is found that term insurance was converted to an endowment plan through administrative error, or otherwise, while the insured was totally disabled, and there was not fraudulent action on the part of the insured, take the following action:

a. If the insured files a claim for waiver of premiums on an endowment policy because of total disability, the Insurance Claims Section will advise that under the circumstances he or she is not entitled to a waiver of premiums on the endowment policy because of the total disability which existed at the time of conversion. The insured will be advised of the necessity of remitting monthly premium payments to maintain the policy in force.

b. If premiums on the term policy were waived at time of conversion to an endowment plan, or if waiver is subsequently established as of a date before the effective date of the conversion, a registered letter will be sent to the insured with a return receipt requested, advising that conversion to an endowment plan cannot be made while he or she was totally disabled. Further, the insured will be advised that he or she must remit all due and unpaid premiums on the endowment plan from the effective date of conversion through the current month within 31 days from the date of the letter.

c. If the insured was totally disabled when the insurance was converted to an endowment plan and a claim for waiver of premiums has not been filed, advise the insured that, while he or she may continue the insurance on the endowment plan by the timely payment of premiums, he or she will not be eligible to apply at any time during the current period of total disability for waiver of premiums because of the total disability which existed when the application for conversion to the endowment plan was submitted.

d. If there was no element of fraud on the part of the insured, afford him or her the privilege of changing the endowment plan to a Modified Life, Ordinary Life, 20-Payment Life or 30-Payment Life policy or reverting to term insurance, which does not require a physical examination report.

e. If change from the endowment plan to one of the other permanent plans is requested, the new policy will bear the same insurance number and effective date as the endowment policy.

f. If the insured does not remit any premiums on the endowment plan, or fails to request a change to another permanent plan within 31 days from the notice that he or she is not entitled to a waiver of premiums, the insured retains the endowment policy.

36.19DEATH OF INSURED BEFORE CONVERSION

When an application for conversion is acceptable, but the insured dies before the EFFECTIVE DATE OF CHANGE, disapprove the conversion.



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# CHAPTER 37. CHANGE OF PLAN (NON-MEDICAL)

## 37.01 GENERAL

a. A permanent plan contract, in force under premium-paying conditions, may be exchanged wholly or in part for any other permanent plan contract in the same prefix series issued by the VA, with the same effective date and based on the same age.

b. A VA Form **29-1550,** Application for Change of Permanent Plan (Non-Medical), may be used by the insured whenever a change of plan is made to a policy with a higher reserve value. These applications are generally processed by the Policy Service Section.

c. A statement over the signature of the insured containing information as to the amount of insurance and plan desired will be considered as an informal application. When an informal application is received, the insured must furnish a signed statement certifying that he or she is not totally disabled.

d. Additional rules and requirements for processing applications for change of plan on NSLI (National Service Life Insurance) and USGLI (United States Government Life Insurance) policies are found in M29-l, part **I,** chapter 19.

## 37.02 INITIAL PROCESSING OF APPLICATIONS

a. When VA Form **29-I 550** is received in the Policy Service Section, the Policy Service technician will review the application to determine if all requirements have been met.

(l) **Signature:** If the application is not signed, the Policy Service technician will:

(a) Obtain a photocopy of the application and print SUPPLEMENTAL (in red) in the upper right corner.

(b) Prepare an automatic typewriter letter or a dictated letter advising the insured that the unsigned application has been approved and that the enclosed copy should be signed, dated and retumed. If a beneficiary designation and optional settlement was indicated, the insured should also be advised that the application is not acceptable unless the photocopy is signed, dated and returned.

**(2) Monetary Requirements:** The remittance must be sufficient to pay the difference in reserve between the two plans and at least one monthly premium on the new plan.

(a) The difference in reserve may be paid by a remittance and/or a loan on the new contract, provided the plan being changed has been in effect l year or more on the date the change is effected. If the amount of reserve necessary to effect the change of plan has not been provided, the insured **will** be requested to forward the required amount and informed that if the amount is not tendered within 15 days from the date of the letter, the application will be disapproved.

(b) The provisions of VAR regulations **3018** and 3407.2 may be applied to the acceptance of delayed remittances when accompanied by a premium payment. For example: If the insured submitted an application for change of plan postmarked February **1(), 1976,** with a requested effective date of change as December **15, 1975** and a premium payment accompanied the application, the application should be processed on a current basis with December 15, **1975** as the effective date of change. This can be accomplished when the insured requested an effective date to coincide with the next premium due date and the application was postmarked within 61 days of the due date.

(c) If the payment received with the application is not sufficient to pay the new contract to the current premium-paying month, a dictated letter will be released advising the insured that the contract **will** be lapsed unless the payment is received. A VA Form **29-369** (S) or (P), Notice of Premium Due, will be prepared and enclosed.





(3) pending **Waiver Cases:** When the record printout contains a pending waiver **diary,** the Policy Service technician **will:**

**(a)** Advise the insured that action on the change of plan **will** be taken into consideration after the disability waiver decision has been made.

(b) Forward the applications with the folder attached, to the Insurance Claims Section for **a** decision concerning the application for waiver of premiums.

(c) After the Insurance Claims Section has reached a decision on the waiver **and completed** other related actions, the case **will** be returned to the Policy Service Section to complete action on the application for change of plan.

(4) Amount **of** Insurance: The insured may change **a** plan for its entire face amount, divide the original permanent plan to more than one, or reduce and change the plan in **a** reduced amount.

NOTE: When *the original contract is* split *to* more than *one* policy *it* will be necessary to obtain *a new* policy number(s) from *the Administrative Division.*

**(5) TDIP (Total Disability Income Provision):** When TDIP is continued, discontinued or exchanged, the change of plan will be processed by the Policy Service technician. When the TDIP is to be added, the applications with the insurance folder will be referred to the Medical Determination Section for processing.

**(6) disability Statement:** If the insured does not provide a sufficient statement regarding disability, with an informal application **a** VA Form **29-1550,** Application Change of Permanent Plan (Nonmedical)~ will be sent to the insured for completion of the question, "Are you **now** disabled?", before the change is processed. If the insured failed to answer this question on **a** formal applications **a** FL **29-615, will** be sent to the insured for a certification of health.

(a) When the question is answered in the affirmative on the VA Form **29-1550,** without **a** complete and medically acceptable explanation the applicant will be requested to specify the nature and extent of the disability.

(b) All applications received stating the nature of the disability **and** that the veteran is disabled, will be forwarded to the Insurance claims Section via the Insurance Files activity for the attachment to the insurance folder. If the insured is found totally disabled for insurance purposes the application will be ~5approved.

(?) Applications received with entries regarding beneficiary and/or Optional Settlement will-be processed in accordance with the procedures outlined in chapter 15 of this manual.

(b) When supplemental information is necessary before approval of the application can be made, a VA Form **29.5895a,** Pending Transaction Input Card, or VA Form **29.8526,** Pending Transaction, transaction type 008 or **078, will** be prepared to insert or change **a diary.**

(c) When all actions to complete the processing of the application or have been completed the application or will be stamped APPROVED, signed by the Policy Service technician and dated. The release of any input documents **will** also be noted on the application. The effective date of change should always be shown on all applications which are computer processed.

37.03SYSTEM 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 f0flowing 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 premium, or part to pay premium and part to be refunded, etc.

**(3)** How paid code is **0,** l, **2, 4, 5** or **7** or the account is on 724 waiver.

(4) More than two policies.

**(5)** Continuation of TDIP-age 60 rider.

**(6)** Exchange of TDIP-age **60** for TDIP-age **65,** or there is an existing TDIP-age **65** rider.

**(7)** Master record indicates the insured is incompetent.

**(8)** TDIP optional segment how paid or next month due is different than in the fixed policy segment.

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

**(10)** The policy contains paid-up additions and the plan is being changed from a limited pay life to an endowment plan; the whole life paid-up additions are being changed to paid-up endowment additions in a lesser amount; or changed to paid-up endowment additions in the same amount.

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

1(12) Plan in master record is a **9** or **-9.**

b. If none of the above conditions exist, a VA Form **29-8520,** Underwriting, **will** be prepared. When this input is processed, a transaction type **000** is automatically created, which will initiate the system processing of a policy for the new plan of insurance, and if appropriate, a policy for the TDIP rider, plus status, if the how paid code in the master record is not **3** or **6,** or if the policy callup is not **951. In** addition, the system will:

(I) Calculate any cash dividend overpayment.

**(2)** Establish liens.

**(3)** Adjust the paid dividend segment.

(4) Insert a lien letter diary message.

**(5)** Delete **972** diary message.

**(6)** Generate VA Form **29-5886b,** Insurance Record Printout, reason code **008,** for clerical release of lien letter.

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

37.04CLERICAL PROCESSING OF APPLICATIONS

a. When the system cannot process the change, the following input documents and forms will be prepared:

(l) VA Form **29-328,** Underwriting Worksheet, for filing in the insurance folder.

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



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

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

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

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

(6) VA Form 29-8530, Life Miscellaneous, transaction type 000. The policy issue code entered on this document will cause the system to automatically issue the appropriate policy and/or status. It is important to control the sequence of this document by completing the sort field, to assure that it is processed after all other changes have been completed.

b. In addition to the above inputs, the following forms, if applicable, will also be prepared:

(1) VA Form 29-8528, Paid Dividend/Dividend History, to adjust dividends.

(2) VA Form 29-5934, Change of Address for Insurance Purpose, if address change is required.

(3) VA Form 29-8525, Dividend/Loan/lien, transaction type 004 or 084, to insert or make changes to the dividend credit or adjust paid-up additions, transaction type 005 or 085 to insert or make changes to the loan segment and/or 006 or 086 to insert or make changes to the lien segment.

**NOTE: Inserting or changing the above segments will require, as applicable, a VA Form 294459, Dividend Deposit/Credit Statement; VA Form 29-8668, Statement of Paid-Up Additions, or a VA Form 29-1468b, Notice of Approval of Policy Loan, and/or a Lien Letter.**

(4) VA Form 29-8531, TDIP, transaction type 007 or 027 to insert or change date in the `TDIP segment in the master record. When transaction types 007 and 027 are used, the control sort field should be completed to assure proper sequence of inputs being processed.

(5) If the case is being processed in the VA Center, St. Paul and subsequent premiums are to be deducted from VA benefit payments, allotment from service department active or retirement pay, a VA Form 29-8522, transaction type 082 with a 951 policy callup code will be prepared to assure that the records will be transferred, to the VA Center, Philadelphia.

(6) When premiums are being paid by deduction from service pay or VA benefit payments, action will be taken to adjust the deduction in accordance with M29-1, part II, chapters 29 and 30.

**37.05** CHANGE OF PLAN-TDIP

a. When an application for change of plan with TDIP is approved, the policyholder may elect one of the following options:

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

(2) Exchange the age 60 rider to the age 65 rider. (If the insured has not reached his or her 55th birthday.)

(a) Provide for a single premium payment in accordance with VA Pamphlet 29-23, Rev. Table l, (paid-up 20 payment life and 30 payment life policies).

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



(c) Provide for premium payments to age 65.

**(3)** Cancel the TDIP.

b. If the insured requests to pay the single premium rather than to continue the monthly premiums, a letter furnishing complete information will be released. The letter will advise the insured of the amount required to pay the monthly premiums in advance to age 65; and a clear cost comparison between the two methods of payment will be shown. The insured should also be advised that although the single premium is somewhat less than the amount necessary to pay premiums in advance, that if total disability or death should occur before **65** years of age, premiums which have been paid by this method are not refundable. However, when premiums are paid in advance, any premiums paid beyond the date of total disability or date of death are refunded.

c. The effective date for the TDIP on the new contract will be the same as the effective date of the provision on the old contract.

d. The insurance age for the TDIP will be the same as the age for the provision on the old contract.

e. When unable to determine if the TDIP-age **60** is to be continued or exchanged, the insured will be sent a VA Form **29-467a,** Application for Exchange of TDIP.

f. If TDIP is to be added at the time the plan is changed, refer to Medical Determination Section for processing.

g. If the insured requests that the TDIP be canceled, the following action(s) will be taken:

**(1)** If the change of plan is being processed by the system, enter **0** in the TDIP code block on VA Form **29-8530,**transaction type **000.**

**(2)** If clerical action is necessary to affect the change in plan, VA Form **29-8531,** transaction type **097,** will be prepared to delete the TDIP segment.

37.06DISAPPROVED APPLICATIONS

**When an application for a change of plan, other than one which was intended to continue insurance protection of a matured endowment policy, is disapproved, the following actions will be taken:**

a. The application will be noted DISAPPROVED, the reason for disapproval, date and the last name of the clerk taking the action. The disapproved application will also be stamped Ready for File, and filed in the insurance folder.

b. The applicant will be notified of the action taken and advised of the reason for disapproval.

37.07WITHDRAWAL OF APPLICATIONS

**When a properly signed request for withdrawal or for a plan or amount, other than stated in the original application for change of plan, is received in the VA, and bears a postmark date, or there is evidence that it was placed in military channels prior to the effective date of change, the request will be granted. Otherwise, the change, as originally requested, will be processed in the usual manner and the applicant informed of the necessary additional requirements to continue the insurance in the amount and plan desired.**



37.08PAID-UP ADDITIONS

a. When dividends are used to buy paid-up whole life additions on a permanent plan policy and the policy is changed to another permanent plan (other than endowment), there will be no adjustment necessary of the paid-up whole life additions.

b. When dividends are used to buy paid-up additions on an endowment plan policy and the plan is changed to another endowment plan, an adjustment in the paid-up endowment additions will be necessary. The paid-up endowment additions may be retained in the same amount by payment of the difference in reserve; or may be changed to paid-up endowment additions in a lesser amount.]

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## CHAPTER 38. POLICY ISSUE, ISSUANCE OF REPLACEMENT POLICIES AND TDIP RIDERS


38.01 GENERAL

**a. Issuance or replacement of an NSLI or USGLI policy may be approved if the insurance records disclose that the insurance contract is in force under premium paying conditions, extended term insurance, or paid-up insurance.**

**b. Issuance or replacement of a TDIP (Total Disability Income Provision) rider may be approved if the insurance records disclose that the insurance contract to which the disability provision is attached is in force under premium paying conditions or paid-up insurance, and that the disability provision is also in force.**

38.02 INITIAL PROCESSING

a. A request for replacement of a policy or TDIP rider must be over the signature of the insured or legal guardian except as follows:

(1) **A third party request for a replacement policy may be honored, provided the policy is mailed to the insured at the latest address of record. A policy may not be released to a third party without the signed consent of the insured.**

(2) **A policy may be released to the latest address of record if the request for replacement is unsigned, provided it is apparent the request was made by the insured.**

**b. When the insurance is lapsed and not in force under extended insurance, a replacement policy will not be issued. Instead, the veteran will be furnished reinstatement requirements, provided the contract is eligible for reinstatement.**

**c. If a TDIP rider is lapsed and the insurance is in force, the rider will not be replaced. If in order, reinstatement requirements will be furnished. If the request is for a** $5 **or $10 age 60 rider, information and an application for obtaining the age 65 rider will be included.**

**d. When a request is made for a "T" certificate and there is no active (running) award by reason of total permanent disability, the veteran will be advised that these forms are no longer available and that this type of insurance is no longer active.**

**e. If there is an active "T" (running) award due to total permanent disability, the letter will further advise the applicant that due to the length of time benefits have been paid, the face value of the contract has been exhausted and that there are no proceeds available for payment to any beneficiary.**

**f. "V" policies will be used for replacement "H" policies. The letter "V" will be deleted and replaced with the letter "H."**

**g. Replacement policies and/or riders will not be marked as a duplicate or replacement policy.**

38.03 COMPUTER PROCESSING-ISSUE AND/OR REPLACEMENT

**a. The computer system is programed to print policies and guaranteed values upon acceptance of an underwriting input transaction type** 000 **and when RH temporary master records are turned live with input transaction type** 022.

**b. The types of policies and/or TDIP riders that can be system printed are as follows:**



System Printed Through Ages

| **Plan** | **Type Policy** | | **All** |
|---|---|---|---|
| **50** | **59** | **60** | **64** |
| **65** | 83 | 88 | |

Term Insurance V-RH-W
x
Modified Life 65 V-H-RH-W-J-JR-JS
x
Modified Life 70 V-RH-W-J-JR-JS

x
V-RH-W

x
Ordinary Life J

x
JR-JS
x
Twent
y Payment V-RH-
W x
Life
J-JR-
JS

x

V-RH-W

x
**Thirty Payment ~ x**
**Life**
**JR-JS x**

Twent
y **Year** V-RH-
W x
Endow
ment J-JR-
JS

x

V-RH-W x
Endowment At 60
J-JR-JS x

V-RH-W
x
Endowment At 65
J-JR-JS
x
Specia
l Ordinary V-
(Age 65 Only)

Life
V-
(Age 70 Only)

TDIP Age 60

| | | |
|---|---|---|
| **$10 Riders** | **V-RS-W-H** | **x** |
| TDIP Age 65 | | |
| **$10 Rider** | **V-RS-W-H-J** | **x** |

**c. Input transaction type** 000 **for policy issue will reject (reason code UP1) when the insurance master record indicates any of the following conditions:**

**(1) Incompetent bit is on;**

(2) **How Paid Code is 1,4 or** 2;

(3) **XC-diary is pending; or**

(4) **More than** 5 **years has expired from effective date of term contract to current date.**



38.04 CLERICAL PROCESSING-ISSUE AND/OR REPLACEMENT

**a. Whenever a policy for issue or replacement purposes or a TDIP rider cannot be printed by the computer system, it will be clerically prepared.**

**b. The following types of policies and/or TDIP riders for issue and replacement purposes must be clerically prepared:**

**(l) USGLI (K) policies.**

(2) **USGLI (K) TDIP riders.**

(3) **NSLI (RS) policies.**

**(4) Replacement Ordinary Life (Plans 9 and -9).**

(5) $5 **TDIP age 60 riders.**

**(6) H policies other than Modified Life Age 65.**

**(7) Issue ages other than stated in paragraph** 38.03b.

(8) **Policy is going to an address other than the address of record.**

c. The following information will be entered on the VA Form **29-5886b,** Insurance Record Printout, by the Policy Service Technician prior to the typing of the policy and/or TDIP rider.

(I) VA form number for policy and/or TDIP rider (see M29-l, pt. I, par. **13.04).**

(2) **Monthly, quarterly, semiannual and/or annual premiums for insurance and/or TDIP unless premiums are paid through the premium-paying period (HP** 0) **or policy has been surrendered for reduced paid-up insurance** (HP 2).

(3) **Original face amount of insurance if How Paid Code is 4 or** 2, **or if plan of insurance is 9 or -9 (Reduced Modified Life Ages 65 and 70).**

(4) **Mailing address if policy is going to address other than the address in the master record.**

d. Clerical preparation of the policy and/or TDIP rider will consist of the following:

(l) Select proper policy and/or TDIP rider.

(2) **Type the following information in capital letters, without punctuation, except when information is preprinted or policy does not provide for the information.**

(a) **Name and address of the insured.**

**(b) File number (include "F" prefix).**

**(c) Policy number.**

**(d) Amount of insurance (DO NOT TYPE IN A DOLLAR SIGN ($)).**

**(e) Effective date of policy; i.e., 10-I-1953(not** 10-1-53).

**(f) Insuring age.**

**(g) Plan of insurance (type in all capital letters; i.e.,** 30 **PAYMENT LIFE, not numeric** 3).

**(h) Premium-paying period or maturity date as follows:**



**Plan Entry**

**Term Insurance**
**Life**
**Ordinary Life**
**Life**
**Modified Life**
**Life**
**Twenty**
**Payment Life** **Twenty Years**
**Thirty Payment**
**Life** **Thirty Years**
**Twenty Year**
**Endowment** **Add twenty**
**years to effective date.**

**Endowment at**
**60** **Add number of**
**years to effective date determined**

**by**
**subtracting issue age from 60.**

**Endowment at**
**65** **Add number of**
**years to effective date determined**

**by**
**subtracting issue age from 65.**

(i) Amount required to pay premiums, enter appropriate premium amounts. (If replacement policy and How Paid is **"0"** or **"2,"** enter "All Premiums Paid.")

(j) Type in table of guaranteed values when required. Values may be obtained from the following:

l. USGLI (K) Policies-VA Pamphlet 90-2.

**2. NSLI V&H Policies-VA Pamphlet 29-5.**

**3. NSLI RH Policies-VA Pamphlet** 29-8.

4. **NSLI RS & W Policies-VA Pamphlet 29-12.**

5. **NSLI J Policies-VA Pamphlet 29-15, Supplement II.**

**6. NSLI JR Policies-VA Pamphlet 29-18a.**

**7. NSLI JS Policies-VA Pamphlet 29-21.**

8. **Modified Life Age 70-VA Pamphlet 29-72-3.**

(k) RS Term Policies. The policy must be stamped, typed or affixed with a label containing the following: "IMPORTANT MESSAGE"

Paragraph 12, nonconversion of this policy, is revoked.. The law now provides that this policy may be exchanged for a limited convertible 5-year level premium term policy or converted to one of the eight permanent plans of insurance.

**(1) Paid-up Policies (How Paid 2). The following paragraph must be added whenever a paid-up (reduced) policy is requested. It is typed wherever possible on the insurance policy.**

"In accordance with the election of the insured and the provisions of the policy, the Paidup Life insurance under this policy is in the amount of $_____

Form **9-4409,** Life Permanent Plan Policy for W Insurance (NSLI); or a VA Form **9-4410,** Endowment Permanent Plan Policy for W

74, Waiver of Premiums Provision. q

(n) When typing VA Form 29-1667, Total Disability Income Provision (Rider) NSLI Age 65, the following message should be inserted in the space immediately below the name and address block:

"This provision is issued only on condition that the insured is not totally disabled on the effective date. See `B' below."

38.05 PREPARATION OF USGLI POLICIES

a. All USGLI insurance policies and total permanent disability or total disability riders must be clerically prepared. The appropriate policy and/or disability form can be determined by referring to M29-I, part 1, chapter 13.

b. Preparation of the various types of USGLI policies are as follows:

(1) SPECIAL ENDOWMENT AT 96 PLAN POLICIES

(a) Enter the insured's name and address.

(b) Enter insurance file number preceded by the letter "F." (F 129 62 62.)

(c) Enter policy number (K 129 62 62).

(d) Enter face amount of insurance **(10,000).**

(e) Enter effective date of policy in numerals (10/1/1963).

(f) Enter insurance age as shown on insurance record printout.

(g) Maturity Date. Enter anniversary date nearest the insured's 96th birthday.

(h) Enter appropriate premium amounts.

_ (i) Sign name of current Administrator of Veterans Affairs.

~ (j) Type in the table of guaranteed values as given in VA Pamphlet 90-2A or insert printed tables, if available.

(k) If insurance plan code on RPO is "6," prepare VA Form 9-1667a, Attachment to Special Endowment at Age 96 for Total Permanent Disability Provision, and attach to the policy.

**(2)** USGLI "LIFE" POLICIES

(a) Enter age of insured in numerals.

(b) Enter amount of monthly, quarterly, semiannual and/or annual premiums.

(c) **Amount of Insurance.** Enter amount of insurance in capital letters (TEN THOUSAND).

(d) **Insured.** Enter insured's name in capital letters.

(e) **Premium.** Enter amount for monthly premium and due date if required by policy format.

(f) **Mode of Payment at Death or Disability.** Enter amount of monthly payment ($5.75 times amount of insurance in thousands; **$5.75 X 10 = $57.50** for **$10,000** policy).

(g) **Beneficiary.** Leave Blank.

(h) Other entries on face of policy are completed as follows:

"This policy takes effect on the (1st) day of (November) , Nineteen Hundred and (Twenty-Three) ."

(Signature of Current Administrator)
Administrator of Veterans Affairs

Countersigned at Philadelphia, PA
Examined (Current Date) ,19

**(Signature of Policy Service Technician) Registrar**



**(i)** Table of Guaranteed Values. **Type in values as given in VA Pamphlet** 90-2. **Values for 5-year convertible term policy (plan code** 0) **are the same as for ordinary life (plan code 1).**

(j) Reverse of Policy. **Enter in appropriate spaces the policy number, amount of insurance, and the insured's name.**

(3) **USGLI ENDOWMENT POLICIES**

**(a) Enter age of insured and premium amounts in numerals.**

**(b)** Amount of Insurance. **Enter insurance amount in capital letters (TEN THOUSAND).**

**(c)** Premium. **Enter in numerics the amount of one monthly premium.**

(d) **Endowment to Insured.** Enter amount in numerics **(10,000),** month in script (November), and year in script (Eighty-Nine)

NOTE: Maturity date is determined as follows:

**20 Year Endowment-add 20 years to effective date.**

**30 Year Endowment-add 30 years to effective date.**

**Endowment at 62-add number of years to effective date determined by subtracting issue age from 62.**

**(e)** Mode of Payment at Death or Disability. **Enter amount determined by multiplying $5.75 times amount of insurance in thousands ($5.75 X** 10 = $57.50 **for a** $10,000 **policy).**

**(f)** Beneficiary. **Leave Blank.**

**(g)** **"This policy takes effect on the (1st) day of (November) ,Nineteen Hundred and (Seventy-Five)."**

**(Signature of Current Administrator)**
**Administrator of Veterans Affairs**

Countersigned at Philadelphia, PA
Examined (Current Date) ,19

(Signature of Policy Service Technician) Registrar

**(h)** Table of Guaranteed Values. **Type in the table of guaranteed values as given in VA Pamphlet** 90-2 **for the appropriate plan.**

**(i)** **On the reverse side of the policy enter the policy number, amount of insurance, and the insured's name in the appropriate spaces.**

**c.** **Most USGLI policies require preparation of an envelope for mailing due to no provision on the policy for the insured's address.**

**d.** **The completed policy will be returned to the Policy Service Technician for review and signature prior to release to the insured.**



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## CHAPTER 39. REPLACEMENT OF MODIFIED LIFE REDUCED AT AGES 65 AND 70

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39.01 General **39-I**
39.02Initial Clerical Processing **39-I**
39.03Approved Applications 39-2
39.04Reduction of Modified Life 65170 (How Paid 5) with TDIP 39-2
39.05Disapproved Applications 39.3

**M29-1, Part II**
**Advance Manual Change No. 9-85** **November 26, 1985**

CHAPTER 39. REPLACEMENT OF MODIFIED LIFE REDUCED AT AGES 65 AND 70

A. Change: M29-1, Part II, Chapter 39. A suggestion was approved to change the message being shown on Special Ordinary Life diaries. The information contained in the diary will now include the new policy number and the amount of replacement insurance to be issued. It will no longer be necessary to request the insurance folder at the time the Special Ordinary Life policy(ies) is inserted on the master record.

B. Procedure: Page 39-1, delete paragraphs 39.02a(2), (3).

Page 39-2, delete paragraphs 39.02a(7), 39.03b, 39.03b(1), 39.O3b(i)(a), (b), (c), (d), (e), 39.O3b(2), 39.O3c.

Page 39-3, delete paragraph 39.05a.

1. Page 39-1, delete paragraphs ~9.02a(2), (3), and substitute the following:

(2) Forward the insurance folder and application(s) to the Miscellaneous Accounts and Service Unit (MASU) a for assignment of a new policy number(s).

(3) After the folder is returned:

(a) If the application(s) is remittance bearing, prepare a transaction type (TT) 078, to remove the life freeze and change the call-up date of the pending transaction type 203 to one day after the insured's 65th or 70th

birthday. In addition, prepare a transaction type (TT) 008, to insert the legend "SOL, New Policy Number and Amount of Replacement Policy To 3e Issued" (S0L250732632500). This will be shown in the message area. Do not enter a "I" in the suspend record field of the input.

(b) If the application(s) is non-remittance bearing, prepare a transaction type 098, to delete the 978 pending transaction type diary that also has a 972 call-up code. Prepare a transaction type 008, and insert a diary with a 978 pending transaction type and a 970 call-up type. The call-up date should be one day after the insured's 65th or 70th birthday. The legend "S0L, New Policy Number and Amount of Replacement Policy To Be Issued" (S0L250732632500) will be shown in the message area. Do not enter a "1" in the suspend record field of the input.

- 2.

M29-1, Part II, ~!C No. 9-85

2. Page 39-2, delete paragraph 39.02a(7) and insert the following:

**(7)** In addition, the application(s) will be stamped "Approved," signed and dated.

**(a) If the initial premium is not received with the application(s) on direct pay (How Paid 9) accounts, the Policy Service Technician should write "Approved, pending receipt of initial premium," and also sign and date the application(s).**

(8) At this time, the Policy Service Technician should file the application(s) in the folder and return it to the Insurance Files Section for filing.

3. Page 39-2, delete paragraphs 39.03b, 39.03b(1), 39.03b(1)(a), (b), (c), (d), (e), 39.03b(2), 39.03c and insert the following:

a b. When the RPO is received and the record shows that
v the reduction of the Modified Life has been accomplished, the Policy Service Technician will prepare Underwriting Input, transaction type **(TT)** 000, to insert the new policy(ies) on the master record using the new policy number(s) and amount(s) of insurance furnished in the Special Ordinary Life (SOL) diary(ies) on the RPO.

c. When the RPO is received and the record shows that reduction of the Modified Life should have been accomplished by the system but was not, the Policy Service Technician will prepare input to reduce the policy(ies) clerically and process the application as outlined in subparagraph b above.

d. In the event that the new policy(ies) cannot be inserted by using Underwriting Input, transaction type **(TT)** 000, the following transactions types will be prepared to insert the new policy(ies) on the master record:

**(1)** **Transaction type** (TT) **002.**
**(2)** **Transaction type** (TT) **003.**
**(3)** **Transaction type** (TT) **004, if appropriate.**
**(4)** **Transaction type (TT)** **098.**

4. Page 39-3, delete paragraph 39.05a and insert the following:

- 3.

M29-1, Part II, TIC No. **9-85**

(a) When it is necessary to disapprove an application(s), the Policy Service Technician will request the insurance folder, stamp the application(s) DISAPPROVED, and sign and date it.

C. New or Revised

Insurance Forms: None

0)~i:/ %~; #
Assistant Director for Insurance

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## Chapter 39 - Replacement of Modified Life Reduced at Ages 65 band 70

**A.** **Change: M29-1, Part** 11, **Chapter** 39. **This change is being made in conjunction with advance Manual Change 1-83 in M29-1, Part I.**

**B.** **Procedure: Page 39-1, delete subparagraph 39.01b in its entirety and substitute the following:**

b. The replacement policy issued for J, RH and W policies has the same premium rates and value as the Ordinary Life plan. (The plan in the Master Record, however, will be coded as a "0" for a J, RH and W replacement policy). For V and H policies the Special Ordinary Life plan will -e issued. The plan in the Master Record for V and H policies will also be coded "0". The appropriate plan code 2 or 3 will be issued for the JR replacement policies.

C. New or Revised

Insurance Forms: None

**ROBERT W. CAREY**
Assistant Director for Insurance
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CHAPTER 39. REPLACEMENT OF MODIFIED LIFE REDUCED AT AGES 65 AND 70

*39.01 GENERAL*

**a.** The Modified Life plan of insurance provides that the amount of insurance is reduced by one-half at the end of the day before the insured's 65th or 70th birthday. The law also provides that an insured, whose Modified Life policy is in force at the time of reduction, will be afforded the opportunity to purchase additional insurance to replace the amount of insurance which is reduced.

b. The new policy is issued on the Ordinary Life plan for J, RH and W policies and the Special Ordinary Life plan for V and H policies. Premiums are charged for the insured's age of 65 or 70. On JR policies the cheapest plan will be issued.

c. Application for the new policy must be made before the insured's 65th or 70th birthday and no medical examination is required.

**EXCEPTION:**
**If premiums are being waived because of total disability, replacement insurance equal to the amount of insurance reduced will be issued automatically.**

d. Upon receipt of an application for replacement insurance and the insurance RPO (record printout), the insurance file clerk will associate it with the insurance folder and forward to the Policy Service Section.

*39.02 INITIAL CLERICAL PROCESSING*

a. Upon receipt of a VA Form 29-8485, Application for Ordinary Life Insurance (At Age 65), 29-8700, Information About Reduction and Change of Plan (Final Notice-Modified Life Age 65), 29.8485a, Application
~ for Ordinary Life Insurance (At Age 70), or 29-8701, Information About Reduction and Change of Plan (Final
~ Notice-Modified Life Age 70), the insurance folder and a VA Form 29-5886b, Insurance Record Printout, in the Policy Service Section, the Policy Service Technician will take the following actions:

(I) Review the application for completeness.

(2) If the application is remittance bearing, prepare VA Form 29-8526, Pending Transaction, transaction type 078, to remove the life freeze and change the callup date of the pending transaction type 203 to I day after the insured's 65th or 70th birthday. In addition, prepare a VA Form 29-5895a, Pending Transaction Input Card, TT 008, to insert the legend "SPL OL REPL" in the pending transaction area. Do *not* enter a "1" in the suspend record field of the input.

(3) If the application is nonremittance bearing, prepare VA Form 29-8526, transaction type 098, to delete the pending transaction type 972. Prepare a VA Form 29-5895a, transaction type 008, to

insert a pending transaction type 970 with a callup date I day after the insured's 65th or 70th birthday. The legend "SPL OL REPL" will be shown in the message area. Do *not* enter a **"I"** in the suspend record field of the input.

NOTE: The removal of the freeze condition will permit the system to reduce the face amount of the policy, change the plan of insurance from 8 to 9 or -8 to -9 and generate an insurance record printout for clerical action to issue the new insurance.

(4) If the policy is being paid by direct pay (How Paid 9), the initial premium for the new policy should accompany the application. If the initial premium is not received, a letter will be released to the inured. Every effort will be made to have the insured complete the requirements before the end of the time period.

(5) If the policy is being paid by allotment or deduction from benefits (How Paid Code 6 or 3), prepare VA Form 29-1588, Request for Allotment Deduction Change, or a VA Form 29-5926, Request for DFB Action, to increase the amount of deductions being received. Insert the appropriate diary with the normal callup. Do *not* enter **"I"** in the suspend record field of the input.



(6) If the policy is being paid by payroll deductions (How Paid 8), advise the Collections and Cashier Section, Corporation Accounts (245B), to have deductions increased for the amount of the new premium and the effective date of the increased premium. The payroll office code should also be shown.

(7) **When all** actions have been completed, file **the** application in **the** folder and return it to the Insurance Files Section for filing.

**39.03**

**APPROVED APPLICATIONS**

**a.** When the callup date is reached **(1** day after **the** insured's 65th or 70th birthday) an RPO will be generated for clerical issuance of **the** appropriate replacement policy.

b. When the RPO is received and the record shows that reduction of the modified life has been accomplished, the Policy Service Technician will request the insurance folder and, when received, process the application.

**(1) If** the application is approved, the following input documents will be prepared to insert the new policy on master record:

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

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

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

**(d) VA** Form 29-8530, Life/Miscellaneous, transaction type 000.

(e) VA Form 29-8526, Pending Transaction, transaction type 098.

(2) In addition, the application will be stamped "approved," signed and dated.

c. When the RPO is received and the record shows that reduction of the modified life has not been accomplished, the Policy Service Technician will prepare input to reduce the policy clerically and process the application as outlined in subparagraph b above.

**39.04**

**REDUCTION OF MODIFIED LIFE 65/70 (HOW PAID 5) WITH TDIP**

**a. An** RPO, reason code 982, with the message "Modified Life HP5" is generated when a modified life, on a waiver of premiums, is reduced.

b. When an RPO, reason code 982, is received, **the** Policy Service Technician, will have a policy number assigned for the new issue and prepare the following input to insert **the** new policy as an "lips" account:

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

(2) VA Form 298523, transaction type 003.

(3) VA Form 29-8528, transaction type 004.

(4) **VA** Form 298530, transaction type 000.

c. When a modified life contract on a waiver of premiums with **a** TDIP (Total Disability income Provision) segment is reduced, **the** amount of the TDIP is also reduced. Therefore, when inserting the replacement policy it will be necessary to establish a TDIP segment. To establish the TDIP segment, in addition to the above input, a VA Form 29-8531, TDIP, transaction type 007, should be prepared. The effective date will be the insureds 65th or 70th birthday; **the** premium ``0.00"; and **the** How Paid ``5."



**d. When all input has been accepted,** the **insurance folder and current RPOs will be sent to the Insurance Claims Section. The Insurance Claims Section will insure that** the **insurance award master record is adjusted and updated.**

**39.05**

**DISAPPROVED APPLICATIONS**

a. **When** it **is necessary to disapprove an application, the Policy Service Technician will stamp the application DISAPPROVED, sign and date it.**

**b.** A **dictated letter will be sent to the applicant. The reason for disapproval will be included in the letter.**

**c. The necessary input documents will be prepared to delete any diaries and/or refund any remittances.**

# Part III Disability Insurance Claims Procedures


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| Chapter 2 | Preliminary Development of Claims |
| Chapter 3 | Development of Original Claims |
| Chapter 4 | Original Decisions |
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| 1.06 | Jurisdiction of Insurance Live Claims Section |


**Publication Date:** August 22, 2019

### 1.01 DISABILITY INSURANCE BENEFITS RECORD

During World War II and the years immediately following, claims for waiver of premiums were filed in a DIC (disability insurance claims) folder, which was identified by the claim number. At that time, the insurance folder was not combined with the DIC folder. A copy of the waiver award was placed in the insurance folder. At a later date, about 1950, the file containing a claim for waiver was combined with the insurance file and a DIB (disability insurance benefits) folder (green) was established under the insurance number. During August 1976, the establishment of the DIB folder (green) was discontinued. All disability insurance benefits material is now filed on the right side of the insurance folder. See M29-1, Part 8 – Records for additional information on requesting retired paper folders.

### 1.02 DISABILITY DECISIONS

a. Total Disability with Application for S-DVI – VCE/SVCE reviews the SDVI applications and makes the determination on whether waiver of premiums can be approved, or, if additional evidence is required.

   **Note:** If VCE is processing the SDVI application, they, must refer the disability determination to the VCE/SVCE.

b. S-DVI Already Inforce On a Premium Paying Basis, Formal or Informal Waiver Application Received at a Late Date - VCE/SVCE reviews the SDVI applications and

makes the determination on whether waiver of premiums can be approved, if additional evidence is required.

***References:***

*User Guides*

- Waiver Application Process User Guide in VISION and LifePro

## 1.03 CONTROL OF PENDING S-DVI WAIVER CLAIMS

Pending S-DVI Waiver claims are controlled by setting an electronic 45-day diary for follow up in VA Insurance Systems. A task is generated from the diary. If evidence comes in before the follow-up task is generated, the VCE/SVCE ill approve or disapprove the claim with appeal rights. If evidence does not come in after the follow-up task is generated, the VCE/SVCE will disapprove the claim with appeal rights.

***References:***

*User Guides*

- SDVI Intake Process User Guide in VISION and LifePro, Page 8

## 1.04 JURISDICTION OF ASSISTANT DIRECTOR, INSURANCE PROGRAM MANAGEMENT DIVISION, VA INSURANCE CENTER, PHILADELPHIA

The Assistant Director, Insurance Program Management is responsible for the development of policies and technical standards with reference to claims for disability insurance benefits. The Assistant Director, Insurance Operations will refer all questions as to the proper application of approved policies and technical standards to the Assistant Director, Insurance Program Management.

## 1.05 CASES OVER WHICH INSURANCE PROGRAM MANAGEMENT DIVISION HAS JURISDICTION

Insurance Program Management (290) has jurisdiction over the following types of cases:

a. Unusual or complex cases when an advisory opinion is requested by Insurance Operations.

b. When a case is in litigation and where, prior to judgment, reconsideration is requested by the Department of Justice or the Office of the General Counsel.

c. Cases in which judgments have been rendered in favor of the government when further claim is made regarding total and permanent disability or with reference to the Veterans' condition as found at the time of the judgment.

d. Litigated cases in which initial action is required pursuant to judgment regarding total and permanent disability benefits.

e. Cases involving the question of fraud where there is the possibility that the Veteran's mental condition makes it questionable whether the insured understood the nature of his or her action. This can be on cases of living or deceased insureds.

f. Cases in which the insured suffers from a high degree of disability and has disappeared under circumstances which make it probable that he or she is dead, although the evidence is not sufficiently definite to make a finding of death.

g. Claims filed by insureds who are or have been employed by VA.

h. Claims filed by insureds who have been determined to be fugitive felons in VA records.

i. Claims filed by insureds who have Privacy Act or Freedom of Information Act requests in to the Insurance Center.

j. Claims in which a referral to VA's Office of Inspector General has been made or will be made.

k. Claims in which a power of attorney or guardian are acting on behalf of the insured and it is unclear if the supporting documents provide appropriate authority for the agent to act on behalf of the insured.

***References:***

*Circulars & SOPs*

- SOP 29-20-005: Insurance Service Fugitive Felon Policy

## 1.06 JURISDICTION OF INSURANCE LIVE CLAIMS SECTION

The Live Claims Section in the Insurance Operations Division, VA Insurance Center, is responsible for performing the following functions:

a. Jurisdiction over claims for total disability and total disability income benefits under government life insurance. This includes original decisions, continuing, granting or denying benefits and review decisions terminating benefits.

b. Fraud determinations on obtaining and reinstating insurance involving living veterans, where the question of fraud occurs prior to, or subsequent to, the filing of claims for disability insurance benefits. The only two exceptions to this are:

   1. The Veteran's mental condition makes it questionable whether he comprehended the nature of his or her action.

   2. In death cases when claims for disability insurance benefits are adjudicated prior to the adjudication of the death benefit.

   3. In both exceptions, Program Management has jurisdiction under 1.12.

c. Decisions on questions of mental competency in connection with disability benefits.

d. Preparation of amended or supplemental disability benefits based on new and material evidence or clear and unmistakable error.

e. Certifying appeals regarding disability benefits to the Board of Veterans Appeals.

f. Total disability determinations in connection with conversion from an endowment plan, change of plan, cash surrenders, loans and paid-up insurance.

***References:***

*Circulars & SOPs*

- VAIC Circular 29-06-2017: Insurance Fraud Reporting Procedures for VA Insurance Employees

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**Publication Date:** August 22, 2019

## 2.01 DEFINITION OF A CLAIM

a. Any communication from the insured or anyone representing him or her, whether by letter, form, or any other writing, which indicates an intent to file claim for disability insurance benefits will be accepted as a claim.

b. The claim may be on a form prescribed by VA (formal claim) or in another form (informal claim). There is no difference in the effect of a formal or informal claim. An informal claim has all the attributes of a formal claim and the same adjudicative procedure must follow. This does not bar Live Claims from requesting a formal claim, if all necessary information is not provided on the informal claim.

c. Whenever the word "claim" is used, it means a formal or informal claim.

d. The intent to file may be either expressed or implied. A VA employee may not file a claim on an insured's behalf, unless they are acting within the authority granted to them as a VA fiduciary, power of attorney or legal guardian.

e. If it is determined that a written communication does not constitute a claim, see M29-1, Part III, Chapter 4, for extenuating circumstances before denying the request.

f. While title 38 United States Code 5100-5109B apply to insurance, title 38, Code of Federal Regulations, 3.150 through 3. 161, do not.

***References:***

- M29-1, Part III, Chapter 4: Original Decisions - NSLI
- 38 U.S.C. 5100 – 5109B: Claims
- 38 CFR 3.150 – 3.161: Claims

## 2.02 NECESSITY FOR CLAIM

a. The law requires the filing of a claim as a prerequisite for granting disability insurance benefits (premium waiver).

b. A claim after death for insurance benefits is a claim for waiver of premiums.

## 2.03 UNSIGNED CLAIMS

The absence of a signature does not invalidate a claim if the insured prepared or caused a claim to be prepared. If the insured did not sign the claim, appropriate development should be undertaken to determine if he or she prepared or authorized the action.

## 2.04 CLOSING OF CLAIMS

a. Once a valid claim has been received, it may not be closed unless there is clear evidence establishing that the claim should be closed. Generally, it would take positive evidence, such as a request for withdrawal of claim, to dispose of the claim.

b. If the insured does not respond indicating whether they desire to withdraw their disability claim, the claim will be denied for failure to prosecute, under applicable adjudicative procedures.

## 2.05 ADJUDICATION PROCEDURES UPON RECEIPT OF MATERIAL WHICH MAY NOT BE A VALID CLAIM

a. When evidence of potential total disability is received in the Live Claims Section, the Claims Examiner will:

   1. Determine if insurance is or was inforce; and, if so,
   2. Determine whether the evidence constitutes a valid claim.

b. If it is determined to be a valid claim, a pending claim will be established.

c. Additional evidence may be requested. The insured will not be requested to complete Form 29-357. However, Form 29-357 may be used in part or in its entirety to secure needed evidence.

d. If the Live Claims Section overlooks total disability evidence received or available in VA systems resulting in an erroneous denial of total disability benefits, and the error is identified at a later date, the Live Claims Section will take all appropriate action to correct the insurance electronic record and process the potential refund back to the original application date for waiver of premiums. The Live Claims Section will send the insured written notice of both the approval for waiver of premiums and the appropriate refund amount.

***References:***

*Forms*

- VA Form 29-357: Claim for Disability Insurance

*User Guides*

- Waiver Application Process User Guide in VISION and LifePro

## 2.06 PREMATURE CLAIMS

a. When less than six months have elapsed since the alleged beginning date of total disability and the claim is not accompanied by sufficient medical evidence to establish a beginning date of total disability, the medical and/or industrial evidence to determine this date will be developed immediately. When evidence indicates the onset of total disability from a date earlier than alleged, the development should include the earlier period. Both in the situations mentioned above, and in cases where the evidence is sufficient to establish a beginning date of disability and six months have not elapsed since that date, Form Letter 29-580 will be released informing the insured that action will be taken on the claim at the end of the six-month period. The appropriate input document, VA Form 29-5395c, Waiver Diary Action, should be prepared with the message PRMCL and the callup date on VA Form 29-5886b changed to the date at the end of the six-month period.

b. When a claim is received on Service-Disabled Veterans Insurance (RH) and the evidence is not sufficient to establish that the disability has been total for six consecutive months, Form Letter 29-580 will be released informing the insured that action will be taken on the claim at the end of the six-month period. The appropriate input document, VA Form 29-5895c, Waiver Diary Action, should be prepared with the message PRMCL and the callup date on VA Form 29-5886b changed to the date at the end of the six-month period. For RH insurance, it is not necessary that the disability begin after the date of application for insurance nor must the policy be in force for six months under premium paying conditions to grant waiver of premiums. The only requirements for waiver on RH policies are that the disability be total for six consecutive months and that the disability begin prior to the insured's 65th birthday.

## 2.07 RELEASE OF CLAIM FORM

If insurance has been issued, a claim form will be sent with a cover letter containing the requirements for total disability benefits. If the correspondence requesting the claim form contains a request for additional information which is not provided in the covering letters, or if the insurance has lapsed, a letter will be prepared which gives the additional information requested and the date of lapse, when necessary.

## 2.08 ESTABLISHMENT OF FORMAL CLAIM

If the correspondence contains enough information a pending claim should be set up as provided in existing instructions.

## 2.09 XC-CASE, THIRD PARTY INQUIRY

When the correspondence indicates the insured has died and a third party is inquiring about his or her possible entitlement to disability benefits during his or her lifetime, the appropriate letter will be prepared explaining the criteria for waiver when an insured has died. (See M29-1, Part I, Sections 31.16(c), 31.19(d), 31.20(b)) If the insurance lapsed prior to death, the date of lapse should be included in the letter. It is particularly important that a claimant be informed that adequate proof of total disability of at least six months' duration be of record within one year from the date of the insured's death.

***References:***

- M29-1, Part I, Chapter 31, Section 31.16(c): Requirements
- M29-1, Part I, Chapter 31, Section 31.19(d): Definition of Claim
- M29-1, Part I, Chapter 31, Section 31.20(b): Timeliness of Filing A Claim

## 2.10 ASSOCIATION WITH PROPER RECORDS

a. When VA Form 29-357, Claim for Disability Insurance Benefits, is received in the Live Claims Section, the address on the claim form will be checked against insurance records and any change will be noted.

b. If a date of birth discrepancy cannot be clarified, the date of birth recorded on the insurance records at the time the discrepancy is discovered will be retained for subsequent transactions.

c. If the date of birth discrepancy does not change the insurance age, it will not be clarified unless the plan of insurance is Modified Life, or there is a total disability income provision involved, or there is a question of whether total disability commenced before age 65.

d. If the date of birth discrepancy needs to be clarified, the claims examiner will release FL 29-286, and insert a diary for 60 days.

e. When the letter is being released due to a possible older age, the difference in premium or reserve calculation required for the letter will be furnished by the Adjustment Claims Clerk. (See M29-1, Part I, par. 22.03.)

f. If it is necessary to correct the date of birth and the premium, the Adjustment Claims Clerk will make the necessary adjustment and correct the master record. (See M29-1, Part I, Chapter 22.)

***References:***

- M29-1, Part I, Chapter 22, Section 22.03: Correction of Date of Birth (Older Age Correct)
- M29-1, Part I, Chapter 22: Correction of Date of Birth

*Forms*

- VA Form 29-357: Claim for Disability Insurance

*User Guides*

- Waiver Application Process User Guide in VISION and LifePro

## 2.11 DATE OF RECEIPT OF CLAIM

The Claims Examiner will check to see that the correct date of receipt of claim is reflected on the record printout and VA Form 29-1565-3, Decision Disability Insurance Benefits. Date of receipt of claim is the date upon which the claim was first received in any VA agency. If the date of receipt of claim is not correctly shown on the insurance record printout, VA Form 29-524, Waiver Diary, should be inserted to make the correction.

## 2.12 STATUS CHECK

The status of the insurance will be reviewed and any lapses and reinstatements since the alleged beginning date of total disability will be noted on VA Form 29-1565-3, in the right side of the first "Remarks" block.

## 2.13 INITIAL REVIEW OF CLAIM FORM

If the claim is not accompanied by evidence or if the evidence is not sufficient to establish total disability for the period alleged, the Claims Examiner will request the appropriate evidence.

## 2.14 UNSIGNED CLAIM

If a claim is unsigned, the Claims Examiner will send an employment report to the insured. By this procedure a current employment report is obtained as well as the signature of the insured. The unsigned claim form will be considered an informal claim for purposes of extension of time for those persons who may file a valid claim for disability insurance benefits (See M29-1, Part I, paragraph 31.19a). If a claim form is unsigned and is accompanied by correspondence signed by or on behalf of the insured, it will not be necessary to obtain a signed VA Form 29-357. When a signed claim form is requested, it will be assumed that it will be received, and the Claims Examiner will initiate the preliminary development immediately.

***References:***

- M29-1, Part I, Chapter 31, Sec 31.19: Definition of Claim

*Forms*

- VA Form 29-357: Claim for Disability Insurance

## 2.15 CLAIMS THAT APPEAR READY FOR DECISION

If the claim form contains sufficient evidence to prepare an award, the Claims Examiner will prepare the award or refer to a Senior Claims Examiner (See M29-1, Part III, Chapter 4).

***References:***

- M29-1, Part III, Chapter 4: Original Decisions NSLI

## 2.16 REQUIREMENTS TO ESTABLISH

In order to establish total disability, it will be necessary to obtain evidence which will show:

a. That the insured is prevented from following a substantially gainful occupation by a physical or mental condition.

b. That the insured has a statutory condition (Refer to M29-1, Part I, 31.02)

b. The period of the time during which this condition prevented him or her from following such occupation.

NOTE: For additional details see M29-1, Part I, Chapter 31.

***References:***

- M29-1, Part I, Chapter 31, Sec 31.02: Statutory Disability
- M29-1, Part I, Chapter 31: Disability Benefits on National Service Life Insurance

## 2.17 AVOID DUPLICATION OF EVIDENCE

While both the medical and industrial aspects of the case should be developed simultaneously, an attempt should be made to avoid duplicating evidence that was submitted with the claim.

## 2.18 CORRESPONDENCE

When sending correspondence to obtain additional evidence, use VA Insurance systems. All outgoing correspondence is required to be in Reader Focused Writing (RFW).

## 2.19 AMOUNT NEEDED

The medical evidence should be sufficient to show the existence of a disabling condition from the time total disability is alleged to have commenced through the present time or, if total disability is ended, through the period of total disability. It is not necessary to document the entire period of disability if the veteran is suffering from a chronic severe condition.

## 2.20 VA AND CIVILIAN MEDICAL REPORTS

Whenever possible, evidence of medical treatment in VA systems should be obtained first. The request for medical records should be made in writing. They should specify the period for which evidence is desired. In obtaining medical information, the primary purpose is to ascertain objective medical findings.

## 2.21 PRIVATE MEDICAL REPORTS-NOTIFICATION OF CONTACTS TO VETERAN

If there are no medical records in any VA system, evidence may be requested from private doctors or hospitals. The requests for this information should specify the period of treatment necessary. A request to a private doctor or hospital should contain a notation that the claim form signed by the insured authorized the release of information. If information is being sought from private doctors, hospitals or employers, a form letter should be sent to the insured, listing those contacted. The letter should also ask the insured to urge a prompt reply from the concerned parties.

## 2.22 REQUEST FOR EXAMINATION

A VA examination should ordinarily not be requested at the time of the initial development. An examination should not be requested to determine current total disability until reports of all pertinent medical treatment have been obtained and reviewed. If, on the basis of these reports, a determination cannot be made as to whether the insured is currently totally disabled, an examination may be requested.

## 2.23 DEVELOPMENT OF BEGINNING DATE OF TOTAL DISABILITY

In some cases, an insured will allege total disability from a date which had no relevance for purposes of making a finding of total disability, such as the commencing date of his pension or compensation award. In such cases where the evidence indicates that total disability may have commenced prior to the date alleged, the initial development should cover the entire period of apparent disability.

## 2.24 DETERMINING THE NEED FOR ADDITIONAL INFORMATION

The question of whether additional employment evidence should be obtained to verify the last day of substantially gainful employment is dependent upon the facts in each individual case. If the evidence on the claims form indicates a disability which appears to be severe and continuous from the date alleged and such disability is documented by medical evidence of record or can be documented by obtaining reports of treatment shown on the claim form, it is not necessary to obtain additional employment evidence. When the ending date of employment is not given, is unclear, or when it appears that disability may have commenced before the last date of employment, clarifying information should be obtained. When it appears that gainful employment may have been engaged in after the alleged date of disability, the nature of this employment should be developed.

## 2.25 SELF EMPLOYMENT

When the evidence indicates self-employment, part time employment or when there is an indication that the employment may not have been competitive, additional evidence must be obtained. In this regard see M29-1, Part I, paragraphs 31.12 through 31.15.

***References:***

- M29-1, Part I, Chapter 31, Section 31.12 – 31.15: Types of Employment

## 2.26 TOTAL DISABILITY ALLEGED NEAR 65TH BIRTHDAY

When total disability is alleged from a period within several days of the insured's 65th birthday, it will be necessary to obtain precise information as to the last day the insured worked in a substantial and gainful capacity and whether his physical condition prior to his or her 65th birthday prevented him or her from carrying out any substantially gainful occupation.

## 2.27 DEVELOPMENT FOR FRAUD

The Claims Examiner will have the responsibility for reviewing the insurance record at the time of initial development for any indication of possible fraud. If, in his or her opinion, the possibility of fraud exists, the case will be referred to the Authorizer or Senior Authorizer.

***References:***

*Circulars & SOPs*

- VAIC Circular 29-06-2017: Insurance Fraud Reporting Procedures for VA Insurance Employees

## 2.28 PREPARATION OF INPUTS

Electronic Form 1565 will be used to either approve, disapprove, or set up a premature claim for waiver. Data entry screens will be prepared from Form 1565 to update the record in the VA Insurance system.

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**Publication Date:** August 28, 2019

### 3.01 REVIEW EVIDENCE AND DETERMINE ACTION

When evidence requested on initial development is received it will be imaged and routed to the appropriate Insurance staff member for processing. He or she will review the evidence, make a decision, and notify the insured at the earliest possible date. If the decision is to deny disability benefits, the insured will also be provided an improved decision notice. An improved decision notice provides the following information:

a. Identification of the issues decided.

b. A summary of the evidence considered.

c. An explanation of the applicable laws and regulations relevant to the decision.

d. Identification of findings that are favorable to the claimant.

e. Identification of the element(s) not satisfied that led to the denial.

b. Identification of criteria needed for grant of service connection.

c. An explanation of how to obtain or access the evidence used to make the decision.

d. A summary of the applicable review options available for the claimant to seek further review of the decision.

## 3.02 POSSIBLE FRAUD

In all cases when there is a question of possible fraud, the insurance electronic record will be red-flagged and jurisdiction will be set by Operations management.

***References:***

*Circulars & SOPs*

- VAIC Circular 29-06-2017: Insurance Fraud Reporting Procedures for VA Insurance Employees

## 3.03 RATINGS AND SUPPLEMENTAL MEDICAL EVIDENCE

a. VA Narrative Rating Decisions and other medical information available through VA systems along with the information provided by the insured, should be utilized as the primary sources of evidence to determine eligibility for total disability benefits.

b. VA Narrative Rating Decisions usually describe the disease or injury which the Veteran has claimed is causing total disability for insurance benefits. Also, at times if they include dates of treatment, examination or hospitalization which are useful in establishing the beginning date of total or total permanent disability.

c. When VA Narrative Rating Decisions contain sufficient information to prove total disability for insurance benefits, it will be acceptable as evidence in support of a claim and used whenever possible as a basis for a favorable decision.

b. When VA Narrative Rating Decisions contain insufficient information to prove total disability for insurance benefits, the Veterans Claims Examiner (VCE) should review additional evidence available in VA systems. Should this additional information prove sufficient, the claim will be approved. However, should the additional information prove insufficient, the VCE should contact the Veteran directly for additional information before making a final decision.

## 3.04 INCOMPLETE MEDICAL EVIDENCE

When medical evidence is required (not available through VA systems), the VCE will attempt to obtain this information by telephone. If the VCE is not able to reach the insured by telephone, a letter will be sent to the insured or their agent requesting the information. (This does not apply to Third Party Requests.)

## 3.05 INSUFFICIENT MEDICAL EVIDENCE

If medical evidence available in VA systems and any additional information requested on the initial development is not sufficient for the purpose of establishing total disability, the claim for disability benefits will be denied.

## 3.06 REQUEST FOR FEE

When a private doctor or hospital requests a fee in connection with the preparation of a report, a letter will be sent informing him or her that the VA is not allocated funds to pay for such reports.

## 3.07 SECOND REQUEST

If no reply is received to requests for medical evidence from the insured, it will be requested again with the notation Second *Request* and will include a reminder that it is the insured's responsibility to provide proof of disability in support of his or her claim. (This does not apply to Third Party Requests.)

## 3.08 SOCIAL SECURITY RECORDS

VA systems should be utilized to determine if the insured is receiving Social Security Disability benefits and from what date. If so, the VCE should request information on the condition for which he/she is receiving disability benefits.

## 3.09 SERVICE MEDICAL RECORDS

Should the medical information in 3.04 be insufficient, the VCE can also review Servicemember Treatment Records (STRs) within VA systems. However, this information may only be of value if the insured is claiming total disability soon after discharge from service.

***References:***

- M29-1, Part III, Chapter 3, Section 3.04: Incomplete Medical Evidence

## 3.10 NEED FOR EMPLOYMENT INFORMATION

The determination of the last date on which the insured was able to follow a substantially gainful occupation is necessary for a finding of total disability. When a decision is made, there should be evidence within 90 days of the decision of the insured's employment status. If there is evidence of that the claimant may have returned to work since the date of the report, a current employment report should be obtained before preparing a decision.

## 3.11 METHOD OF REQUESTING INFORMATION

When additional employment information is required for a decision, it will be requested from the insured.

## 3.12 VA SYSTEMS REVIEW FOR EMPLOYMENT INFORMATION

Information provided by the insured and VA systems should be the primary sources used to determine the insured's employment history. If these sources are insufficient to provide an employment history, the insured will be contacted to provide the required information.

## 3.13 CORRESPONDENCE ON CASES PENDING DECISION

Correspondence on disability claims pending decision will be answered promptly and completely. If NAN (no answer necessary), it will be indicated in VA systems. When correspondence requiring action by another division is received while pending a decision, action on the disability claim will be expedited.

## 3.14 IMAGING TO ELECTRONIC INSURANCE RECORDS

All correspondence and other evidentiary material relating to disability insurance claims will be imaged to the electronic insurance record.

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## Part III Chapter 4 - Original Decisions – NSLI


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**Publication Date:** August 6, 2021

### 4.01 OVERVIEW

a. The decision on the Veteran's entitlement to waiver of premiums is made by the GS-9 or GS-11 Veterans Claims Examiner (VCE). This process consists of several actions which include:

   1. Confirming the Veteran's basic information (DOB, SSN, current address) on the claim form.

   2. Checking the date the Veteran alleges he/she became totally disabled.

   3. Obtaining the necessary information or evidence (SSA disability reports, VA examinations and ratings, and medical records needed to determine if the Veteran is entitled to waiver of premiums).

   4. Making a decision on the claim.

   5. Informing the Veteran of the decision.

b. Waiver decisions are processed through the completion of the Waiver Decision 1565 screen in the VA Insurance system and a letter is generated informing the Veteran of the approval, premature status, or denial of waiver. The completed 1565 is forwarded to 293 to process.

c. If the waiver is denied, the Veteran must be provided appeal rights.

***References:***

*User Guides*

- Waiver Application Process User Guide in VISION and LifePro

## 4.02 EVALUATION OF THE EVIDENCE

a. In all cases, it will be necessary for the Claims Examiner to evaluate the medical and employment evidence to determine how it affects the insured's ability to continuously follow a substantially gainful occupation. See M29-1, Part I, Chapter 31.

b. Claims Examiners should review medical evidence of the insured's complaints, symptoms, findings, diagnosis and prognosis. The decision should be based upon the analysis of the complete medical and employment evidence available.

b. When a claim is filed subsequent to August 1, 1947, waiver of premiums becoming due more than one year prior to the receipt of claim by VA may not be granted in the absence of satisfactory evidence of circumstances beyond the insured's control which prevented his or her making timely claim, See M29-1, Part I, Chapter 31 for additional information.

c. In instances when failure to file a claim on time partially limits the award, the effective date of waiver will be computed by adding together the period of inability to work with the one-year period prior to receipt of claim plus the period of inability to work which continued before and up to the one-year period. The first premium becoming due on or after the beginning date of the one-year period plus the period of inability will be the effective date of waiver.

d. The Senior Veterans Claims Examiner will adjudicate an insured’s claim for a waiver of premiums extension beyond the one-year period noted in c.

e. Any competent insured who has not responded to two requests to submit evidence without adequate explanation within 30 days from the date of the second request letter, will be considered to have failed to cooperate. The finding of total disability will be based upon the evidence of record. If the evidence of record shows total disability for less than 6 months, the claim pended until the 6-month period has ended. At this time, the insured will be contacted to verify employment status. If after two attempts, there is no response, the claim will be denied. If there is no evidence to support a finding of total disability for any period, the claim will be denied.

f. Timely applications filed by beneficiaries after the death of an insured for waiver of premiums becoming due more than one year prior to death may not be waived unless the insured's failure to timely file claim was due to circumstances beyond his or her control. Some conditions may indicate the insured was prevented by circumstances beyond his or her control from filing a timely claim. These may include mental or physical disability of such severe degree as to render the insured incapable of taking care of his or her affairs, or when there are other unusual and extenuating circumstances which are a reasonable cause of the insured's failure to make timely application. If any VA Insurance activity receives information in writing that discloses the existence of severe disabilities and potential entitlement to disability insurance benefits

and fails to apprise the insured of his or her probable rights to the benefits, such failure is deemed an incomplete action by VA and, as such, constitutes extenuating circumstances that will excuse the failure to timely file claim. When circumstances beyond the control of the insured excusing the failure to file timely are found, waiver of premiums will be effective during the period of one year prior to the filing date plus the period during which he or she was prevented from filing.

g. The appointment of a guardian has no impact on the timely filing of a claim. Even though the guardian may neglect for years to file a claim on behalf of the insured, the test remains whether or not the insured was prevented from filing claim on time due to circumstances beyond his or her control. In this case, the insured had an agent appointed to act on their behalf.

Additional information regarding waiver of premiums on S-DVI at time of application can be found under M29-1, Part I, Chapter 14, Section 14.04 and M29-1, Part IV, Chapter 1, Section 1.09

***References:***

- M29-1, Part I, Chapter 31: Disability Benefits on National Service Life Insurance
- M29-1, Part I, Chapter 14, Section 14.04: Requirements
- M29-1, Part IV, Chapter 1, Section 1.09: Determination of Total Disability of Applicant

## 4.03 WAIVER DECISION 1565 -DECISION DISABILITY INSURANCE BENEFITS

In the remainder of this chapter, the items will be discussed in the order in which the -1565 is to be completed.

| Waiver Decision 1565 Completion | |
|---|---|
| **General Instructions** | |
| In establishing waiver of premium, always check the date of birth. Make sure the Veteran is under the age of 65 or found totally disabled prior to his 65th birthday. | |
| A Veteran must always have six consecutive months of total disability. (The Social Security date should be used if information matches with service-connected conditions and dates). | |
| When a Veteran has been totally disabled for over 20 years, the Severity Code will be "0". He will be considered as "statutory by time" in Remarks. | |
| If statutory by a disability (ies), the Severity Code will be "0". | |
| If a case is not a new RH, before approving waiver of premiums, you must first verify all information in imaging history that would indicate that the Veteran was totally disabled prior to receipt of the claim. | |
| A Veteran must be found totally disabled prior to their 65th birthday. | |
| **System Generated Items** | **Explanation** |
| Insurance File Number | Veteran's Insurance File Number |

| | |
|---|---|
| Policy Number | Veteran's Insurance Policy Number |
| Veteran's Name | Veteran's First and Last Names |
| Received Date | For New RH Applications: Postmark Date for Paper Applications and Image Date for Web Applications.<br><br>For Existing Policies with New Waiver Applications: Postmark Date or Date of Intent, whichever is earlier. |
| Claim Number | VA Claim Number |
| Date of Birth | Veteran's Date of Birth |
| How Paid | How paid codes:<br>0- Paid Up<br>1- Inactive<br>2- Reduced Paid-Up<br>3- Deduction from benefits<br>4- Extended Insurance<br>5- Disability Waiver<br>6 - Allotment<br>8 - VAMATIC PADS<br>9 - Direct Pay |
| Amount of Insurance | Veteran's Amount of Insurance; only change if amount is not $10,000 |
| Insurance Effective Date | Date the Insurance Went Inforce |
| Plan of Insurance | One of the following Type of Plan codes below:<br>1 - Ordinary Life<br>2 - 20 Payment Life<br>3 - 30 Payment Life<br>4 - 20 Year Endowment<br>5 - Endowment at Age 60<br>6 - Endowment at Age 65<br>7- 5- Year Level Premium Term<br>8 - Modified Life at Age 65<br>Q - Modified Life at Age 70<br>9- Reduced Modified Life at Age 65<br>R - Reduced Modified Life at Age 70<br>10 - Special Ordinary Life |
| Age | Insurance Age of Veteran (age within 6 months of DOB) as of the effective date of the policy |
| Monthly Premium | Dollar Amount of Monthly Premium |
| Next Premium | Dollar Amount of Next Monthly Premium |
| Secondary Disability Classification | Always 0000 |

| | |
|---|---|
| Decision | Sentence already inserted which indicates the Veteran has been found totally disabled and the Veteran's date of total disability. If statutory, also inserted will be "It is also held that the insured is statutory and totally disabled under 38 U.S.C. 1914) |
| Authorized by: | The name of the employee making the TD determination. |
| Fraud found | Automatically set to "No", only change to "Yes", if appropriate |
| Authorized Date: | The date the 1565 is saved. |
| Insured Incompetent | Automatically set to "No", only change to "Yes", if appropriate |
| **Manually Inserted Items** | |
| Claim Filed By | Enter the role of the person completing the waiver request e.g. Insured, Spouse, VSO, Guardian, etc. |
| Total Disability Found | Earliest date that medical evidence shows Veteran to be totally disabled |
| Follow-up date | The severity code will determine this date. It is manually entered. Refer to Severity Code explanation for the correct entry date. Most waivers that have a severity code of 7 will have a follow-up date that is two years from the date of the 1565 being processed. |
| Disallowance based on a Decision | Select N/A, unless disapproval, then select Yes |
| Premiums Waived | Date first premium will be waived |
| Life Fund | 3 is already inserted for RH insurance |
| Action Code | Codes<br>1 - The system will release refund and letter to Veteran<br>4- If no refund is due and you will release the letter. (Typical selection)<br>5- The system will release refund and you will release the letter |
| Months not due | Leave blank |
| Severity Code | Depends on age, length, severity of condition(s) and occupation.<br>One of the following Severity codes below:<br>0 - No review (Statutory)<br>3 - Interim review in 6 months - usually for premature waiver<br>5 - Interim review in 1 year<br>7 - Interim review released every 2 years<br>8 - No review required |
| Extra Hazard Pending: | Leave blank or "N" for V policies only |
| Disability Classification | Enter VA disability rating code for "Primary" field;<br>Note: There is not a code for every disability; use one closest to the disability. |

| | |
|---|---|
| Review date | Date should always be 20 years from the total disability date, unless it is a Statutory case (no review) |
| Insured Representative | POA, DAV, VFW, etc. Leave blank if none. |
| Remarks | Enter "38 U.S.C. 1922 (a)" if disability is before effective date (only new RH); Note: This law states you cannot be totally disabled at the effective date of the policy. The exception to this rule is for RH where total disability can occur prior to the effective date.<br>Enter "Statutory Total Disability - U.S.C. 1914" if a statutory case |
| Principal Occupation | Last job Veteran worked |
| Education | Highest educational level Veteran completed |
| Proof Due | Leave blank |
| Remarks | In this section the VCE would explain any gaps of time related to employment or a qualifying service-connected disability being granted. The VCE should also make a note in this area if the Veteran is statutory by time or any additional circumstance that is not commonly processed. |
| Statutory Requirements Met | Date Veteran became statutory<br>Note: May be same date as the TD date or later date. |
| Failure to File | Enter N/A for new RHs or "No" when the Veteran does not apply or come in within a year of additional evidence being requested to make the waiver eligibility decision. |
| Total Disability Alleged | Date Veteran indicates total disability began or date last worked<br>Note: If month & year, but not day are given, use last date of the month provided. |
| Premature Waiver | Select premature waiver when total disability (TD) has been found but the time required of six months has not been met when the claim for waiver is processed. |

***References:***

*User Guides*

- Waiver Application Process User Guide in VISION and LifePro

## 4.04 PARTIAL DENIAL

A partial denial, like a full denial, is subject to appellate review, if it denies at least 1 month's benefits either at the beginning or at the end of the period of total disability to which the insured or his or her representative alleged entitlement. A partial denial occurs when the Live Claims Section determines they do not have evidence to support the full period of total disability alleged, up to the one-year limit. The premium refund, in such cases, will encompass the months from the claim date to the date in which supporting evidence of total disability has been found.

## 4.05 AMENDED AWARDS

a. When an amended award must be made in order to change the period of the award, it will be necessary to complete a new 1565. However, the 1565 will be completed in the same fashion as the original award, with the exception that the “Amend” button will be checked.

b. When the amended award reopens a previously closed award, the new 1565 will show in the award item "Amend: Prev.: Awd Term (date)"; the date shown will be the ending date of the previous award.

b. When the amended award is to change the beginning, or ending dates of total disability, the new 1565 will show "Amend: (date)"; the date of amendment will be the date of the previous award which is being adjusted.

c. When it is necessary to correct an award, which has previously been authorized under an incorrect insurance number, it will be necessary to prepare a stop waiver terminating the award as of the effective date on the erroneously issued insurance.

## 4.06 RESUMPTION OF TDIP PAYMENTS

Resumption of TDIP awards will be processed through VA Insurance Systems and authorized by Internal Control.

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| 5.04 | End of Premium-Paying Period |
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**Publication Date:** August 28, 2019

### 5.01 REVIEW-PURPOSE AND PROCEDURE

a. The primary purpose of the review is to check the employment status of the insured, to set a future date of review or to terminate benefits in the event it is found that an insured is no longer totally disabled. All review letters received will be referred directly to the Insurance Claims Section. Electronic Call-up Waiver Diary Action will be prepared to change the diary date. The diary will trigger the release of a review letter at a future date.

   1. If the response to the review letter states substantial employment, the examiner will take the required actions to remove waiver and establish the requested alternate payment method.

   2. If the response to the review letter states still unable to perform substantially gainful employment, the examiner will establish the next review date in the VA Insurance System.

   3. If no reply is received within 45 days, a Second Request will be initiated. The Second Request will inform the insured that they have 60 days to respond with information regarding their employment status or waiver of premium will be terminated.

   4. If the insured responds but additional information is required to determine if able to perform substantially gainful employment the VCE will contact the insured for additional information.

b. The Claims Examiner upon termination of waiver or premiums will prepare a letter to inform the Veteran and the Veteran's VSO if applicable that waiver of premiums is being terminated. The reason for the termination will also be stated in the letter. The Veteran

will need to pay the policy premiums due by method of their choice. A copy of the letter will be sent to the VSO.

## 5.02 SEVERE AND CHRONIC CONDITIONS

a. When the insured suffers from impairments which are so severe in degree and so chronic or progressively deteriorating in nature that there is reasonable certainty that he or she will remain totally disabled, the Claims Examiner will establish system inputs so that no future callups are required to verify employment status. Age and length of the period of total disability are factors to be considered in determining whether to set future callups. A decision on whether future call ups are required can be made at point of application or at a later date.

b. The following are guidelines to be used in determining if no future call ups should be established on the case. The guidelines are not to be applied automatically. The types of cases which may be eligible for such a determination are:

   1. The insured has been totally disabled for 10 or more years.

   2. The insured has been totally disabled for 5 or more years and is over age 65.

   3. The insured suffers from severe impairments of such chronic or progressively deteriorating nature that there is reasonable certainty that the insured will not improve and must be considered totally disabled if the insured is not, in fact, continuously following a substantially gainful occupation.

## 5.03 ANNIVERSARY OF THE 20TH YEAR OF TOTAL DISABILITY

On the anniversary of the 20th year of total disability, upon the regular review the electronic 1565 will be amended to not generate future review callups. (See M29-1, Part I, Ch. 31, Sec. 31.32.)

***References:***

- M29-1, Part I, Chapter 31, Section 31.32: Twenty-Year Cases (38 CFR 8.31)

## 5.04 END OF PREMIUM-PAYING PERIOD

a. Continuing awards of waiver of premiums on 20-payment life, 30-payment life and endowment policies will be terminated as the premium-paying period ends.

b. No review of the insured's continued entitlement to waiver of premiums will be established for a date within 6 months of the date a policy reaches the end of the premium-paying period or matures.

c. When it is determined that no further review is required because the policy becomes paid up or matures, the waiver diary callup date and review date will be changed to the due date 1 month after the premium-paying period ends.

## 5.05 CURRENT PROCESS FOR TERMINATING WAIVER OF PREMIUMS

The Claims Examiner, Senior Authorizer, or Supervisor when appropriate, will complete a letter and inform the Veteran and the Veteran's VSO, if applicable, that waiver of premiums is being terminated and the reason for the termination. The letter will also request how the Veteran would like to pay for the policy if premiums will be due, and provide an area for the Veteran to sign and confirm that the Veteran is aware of the changes. A duplicate copy of the letter will be sent for the Veteran's records.

**Washington, DC 20420**

Key Changes

| | |
|---|---|
| **Rescissions** | M29-1, Part 3, Chapter 6 is being removed in its entirety as it is no longer applicable to the insurance programs. |
| **Authority** | By Direction of the Under Secretary for Benefits |
| **Signature** | |
| | Vincent E. Markey, Director<br>Insurance Service |
| **Distribution** | LOCAL REPRODUCTION AUTHORIZED |

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**Publication Date:** September 20, 2019

### 7.01 TYPES OF DIARIES

The two primary types of waiver diaries are pending diaries and review diaries. All waiver diaries are non-freeze diaries. A pending diary is inserted on the pending transaction field in the electronic master record at the time a claim for disability insurance benefits is received. These diaries are used to control the processing of new waiver applications. Review diaries are used to provide information for controlling the release of questionnaires used to obtain information necessary to perform periodic reviews of active waiver cases. Review diaries contain codes representing disabilities, the effective date of disability, and the next review date. Both pending and review diaries are discussed in detail below.

***References:***

*User Guides*

- Waiver Application Process User Guide in VISION and LifePro

## 7.02 PENDING DIARIES

a. When a request for waiver is received in any format, Clerical Support or Veterans' Claims Examiner (VCE) will insert a pending diary. The Transaction Type used to insert a pending diary is TT008.

b. VA Insurance releases a waiver receipt confirmation letter upon receipt of a claim for disability insurance benefits.

## 7.03 PENDING DIARY ENTRIES - DESCRIPTION

a. The pending waiver diary will appear on the VA Insurance electronic master record. The three pending diaries are as follows:

   1. Basic Waiver Diary: Created when a waiver application is received. Also used in certain current S-DVI and waiver application combination cases.

   2. Premature Claim Diary (PRMCL): Created when Veteran requests waiver but has not been totally disabled for six months or more. VA Insurance systems will convert the basic waiver diary to PRMCL diary.

   3. Full Waiver Diary: Created upon waiver approval. VA Insurance systems automatically process this action, with the exception of an allotment or deduction from benefits.

b. Pending Waiver diaries include the following information:

   1. Trans. Type-Always "978."

   2. Call-up Date-Month, day, and year that the system will initiate action.

   3. Call-up Type-Always "MSC 4" indicating a miscellaneous pending transaction.

   4. Diary Control Character-Always "5" indicating a pending waiver application.

   5. Call-up Code Type-Always "944" indicating Insurance Claims Division follow-up action.

   6. Application Receipt Date- the month, day, and year shown in this field is the date the claim for waiver was received by VA.

## 7.04 PENDING CLAIM

a. When a claim for waiver of premiums is filed prematurely, within six months of the beginning date of total disability, the pending diary should be changed to indicate the status of the claim.

b. The VCE will prepare the necessary transactions for the system to convert the Basic Waiver Diary to a Premature Claim Diary.

c. At the end of the 6-month period, the PRMCL message will be removed when the 1565 is processed and the waiver has been approved or denied.

## 7.05 WAIVER - SYSTEM PROCESSING OF 1565, DECISION DISABILITY INSURANCE BENEFITS

a. When a claim for waiver of premiums is approved or denied, the VCE will complete the electronic 1565 within VA Insurance systems.

b. Upon the VCE's completion of the 1565, the task is referred to Internal Controls for verification. Once Internal Controls verifies the task, the 1565 is processed overnight and the waiver is established.

***References:***

*User Guides*

- Waiver Application Process User Guide in VISION and LifePro

## 7.06 WAIVER APPROVAL-MANUAL PROCESSING OF 1565

If the VCE is processing a basic S-DVI application and determines that the Veteran is approvable for the basic insurance and waiver or premium, the VCE will manually prepare the 1565.

## 7.07 REVIEW DIARY ENTRIES-DESCRIPTION

a. The pending waiver diary is changed to a review diary at the time a claim for waiver is approved. The review diary will appear as follows:

b. An explanation of the review diary as it appears in the Pending Transactions area is given below:

1. Trans. Type-Always "978" (denotes diary).

2. Callup Date-Month, day, and year the system will initiate action.

3. Callup Type-Always "MSC 4" indicating a miscellaneous pending transaction.

4. Diary Control Character-A one-digit numeric or alpha code indicating the type of action involved. An explanation of these codes and their functions will be found in paragraph 7.13.

5. Effective Date of Disability-Month, day and year total disability began.

6. Callup Type-Always "944" indicating Insurance Claims Section follow-up action.

7. Severity Code A one-digit numeric code which, in conjunction with the diary control character, controls system generation of VA Form 29-8313, Disability Benefits

Questionnaire. An explanation of these codes and their functions can be found in paragraph 7.13.

8. Review Date Month, day, and year of the next regular review.

9. Primary Classification Codes A four-digit number is used to represent the primary disability classification code. A complete listing of disability codes may be found in paragraph 7.13.

**NOTE**: Only the primary disability code will be completed unless EVID6MOS or PRMCL appears in the diary message area. Then enter "0000" in the secondary disability code field.

## 7.08 TYPES OF REVIEWS

a. There are four types of review actions: regular, interim, 19th year, and 20th year. Both review actions are taken by VCEs or Senior VCEs.

b. When a regular review or interim review action is completed, the decision is entered into VA Insurance System notes on the Veteran's policy. If no changes will take place on the Veteran's waiver status eligibility, the VCE will update the review date on the electronic 565. If the review findings determine that the Veteran is no longer eligible, they will be sent a letter informing them of the decision to terminate waiver of premiums and request they submit an alternate method of payment within 30 days to keep the policy current and active.

c. The third type of review action is the 19th-year review. On the anniversary of the 19th year of total disability, an RPO with reason code STAREV will be generated. The VCE will review the claim and inforce record to ensure that all is in order and verify the beginning of total disability on the electronic 1565. After verifying the beginning date of total disability, the VCE will prepare inputs to change the call-up date to agree with the next review date, which is 20 years from the effective date of total disability.

d. The final type of review action is the 20th-year review. On the anniversary of the 20th year of total disability, an RPO will be generated with reason code STAREV and the message STATUTORY in the call-up date field of the waiver diary. The VCE will review the claim and inforce record to ensure that the beginning date of total disability is correct. After verifying the date, the VCE will amend the electronic 1565 to reflect no additional reviews are required, if the review date is still present. The VCE will also make a note in VA Insurance Systems that the Veteran is Statutory by time. (See M29-1, pt. I, Ch. 31, para. 31 and 32.)

***References:***

- M29-1, Part I, Chapter 31, Section 31.31: Routine Reviews
- M29-1, Part I, Chapter 31, Section 31.32: Twenty-Year Cases (38 CFR 8.31)

## 7.09 SCHEDULING AND CONTROL OF REVIEWS

a. VA Form 29-8313 will be released by the system for interim or regular reviews when a call-up date is reached, and the diary control is "0."

b. The VA Form 29-8313 generated for an interim review will have the next regular review date printed on the front of the form. On the VA Form 29-8313 released for regular reviews, the words "Regular Review" will appear.

c. When the system releases VA Form 29-8313, a call-up date of 45 days will be established. If, at the end of the 45 days, the VA Form 29-8313 has not been returned by the insured, a follow-up RPO will be generated. Follow-up RPO's generated for interim reviews will bear the legend NORESP; those generated for regular reviews will have the legend REGREV.

d. When follow-up action is taken on an interim review within 60 days of the next regular review, the second request should be treated as a regular review; i.e., the second request VA Form 29-8313 will be noted "Regular Review."

## 7.10 WAIVER TERMINATION

a. When medical or employment evidence indicates that the insured is no longer totally disabled for insurance purposes, the VCE will notify the Veteran of the decision to discontinue waiver of premiums and request the Veteran select their preferred method of payment within 30 days to keep the policy active.

b. The VA Form 29-1565 must be processed manually if any of the following conditions exist:

   1. The account is frozen.

   2. The first premium due after termination of waiver is in the next renewal period.

   3. There are three or more policies in the master record.

   4. There are two policies with different due dates.

   5. A two-policy case and the How Paid Code is "0" on one policy.

c. If none of the above conditions exist, the VCE will prepare inputs to initiate automatic processing by the system. The system will automatically:

   1. Change the How Paid Code to "9."

   2. Update the policy, premium and optional segment.

   3. Delete the waiver diary.

## 7.11 WAIVER DIARY CODES

a. There are several categories of codes that are used in waiver diaries to direct the action required by the system.

b. These codes are used singly or in combination with other codes or dates to enable the computer to arrive at a particular action to be taken on a call-up date that is either supplied manually or computed automatically by the system. These codes and their functions are outlined below:

1. Diary Control Characters (DCC)

| CODE | PURPOSE |
|---|---|
| 0 | Triggers release of VA form 29-8313 unless another call-up action intervenes. |
| 1 | Indicates a VA Form 29-8313 has been released or NO MAIL or review RPO has been generated. New call-up date will be calculated. |
| 2 | Indicates 19th year of disability. Statutory review is next call-up. Will release repetitive RPO's until a new call-up date is clerically furnished. |
| 3 | Indicates 19th year of statutory review has been made, or that claim is statutory because of "loss of or loss of use of." This code will terminate repetitive follow-up RPO's. |
| 4 | Indicates second RPO follow-up (45 days) since release of a VA Form 29-8313. |
| 5 | Indicates a waiver application pending. Repetitive RPO's will be generated every 45 days unless call-up is changed with manual inputs. |
| 6 through 9 | Upon receipt of an RPO with a DCC 4, if manual action is not taken to change the DCC, repetitive RPO's will be generated every 45 days. A DCC 4 will be incremented by 2 and additional RPO's will reflect a DCC incremented by 1 until a maximum of 9 is attained. |

**NOTE**: When the DCC appears as a letter instead of a number, it is an indication that the RPO was generated after the review date appearing in the waiver diary. The presence of a letter in the record will provide a different RPO reason code on the next printout (a regular review as opposed to a no response RPO).

2. Severity Codes. The severity code is used by the system to compute a call-up date for the release of a VA Form 29-8313 or to indicate that a waiver is statutory. The system will compute the VA Form 29-8313 call-up date from the current processing date, only if the DCC is a "0." When an award comes up for a regular review, the severity code should be reviewed by the VCE and changed whenever necessary. Severity codes and their meanings are shown below:

| CODE | DESIGNATION | FORM 29-8313 |
|---|---|---|

| | | |
|---|---|---|
| 0 | Statutory | None |
| 1 | Monthly | Monthly |
| 2 | Quarterly | Quarterly |
| 3 | Semiannually | Semiannually |
| 4 | Three-quarterly | Every 9 months |
| 5 | Annually | Every 12 months |
| 6 | Sesquiannually | Every 18 months |
| 7 | Biennially | Every 24 months |
| 9 | No Mail | None |

(RPO will be generated on each anniversary of the total disability effective date).

3. Action Codes. Used for initial awards or terminations. The code is used by the system to take the action indicated. Listed below are the codes and meanings:

| **CODES** | **MEANING** |
|---|---|
| 1 | Award approved |
| 2 | Award terminated |
| 3 | Award approved and terminated (How Paid code will not be changed) |
| 4 | To change information in a diary without adding to the approved or disapproved |
| 5 | Partial denial |
| 6 | Award terminated (XC case) |

4. Disability Classification Codes. The disability classification code indicates the impairment involved. Only the primary disability classification code will be completed, except when the diary message is EVID6MOS or PRMCL, then enter 0000 in the secondary disability code block. The code that represents a disability which is statutory pursuant to the provisions of 38 U.S.C. 1914 and 1958 will be reflected in the primary block. Statutory codes take precedence over all others. When statutory impairments are involved, the code representing the effect rather than the cause will prevail. When a disability becomes statutory or when an award comes up for a regular review, the disability classification code should be reviewed by the VCE and changed or corrected whenever necessary. Disability classification codes are shown below:

   a) Statutory (Anatomical Loss or Loss of Use of)

   - One foot-one hand 5116
   - One foot-one eye 5117
   - One hand-one eye 5118
   - Both hands 5159
   - Both feet 5199
   - Both eyes (Statutory) 6099
   - Total loss of hearing in both ears (Statutory) 6277
   - Organic loss of speech (aphonia or laryngectomy) (Statutory) 6590
   - Combination of two or more of above - For example, a quadruple amputee (multiple impairments) 6599

   b) See VA Schedule of Rating Disabilities for Other Codes at https://www.benefits.va.gov/warms/topic-compensation-pension.asp

***References:***

- 38 U.S.C. 1914: Statutory Total Disability
- 38 U.S.C. 1958: Statutory Total Permanent Disability

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**Publication Date:** August 22, 2019

### 8.01 ADJUDICATION PROCEDURE

a. When the claim for waiver of premiums is filed during the lifetime of the insured, but the insured dies before a determination is made on the claim, the payment of the insurance proceeds take precedence. The Death Claims Section, after processing the case, will refer the case to the Live Claims Section for determination of waiver.

b. If a disability waiver determination is necessary to place the insurance in force at death (e.g. lapsed insurance premature claim), the Death Claims Division will refer the case to the Live Claims Section.

### 8.02 PRELIMINARY PROCESSING

a. When the claim is filed during the lifetime of the insured, the Veterans Claims Examiner (VCE) will use the computer-based 1565 in the VA Insurance system to document the waiver decision.

b. If the claim is filed after the death of the insured and the account was active on the date of death, then a refund of premiums will be issued to the insured's estate based on the identified total disability date of the insured.

c. When the claim is filed after the death of the insured and the account is lapsed, the policy will be reviewed to see if waiver can be granted to a date that that would have

prevented the lapse from occurring. If due to waiver eligibility, the policy can be made active, then the death award will be paid to the insured's beneficiary (ies).

d. The VCE should verify that the claim has been made by the beneficiary; or the estate of the beneficiary. If claim is made by the estate as the beneficiary, the claim must be submitted by the administrator of the estate or the next of kin.

e. The VCE in the Live Claims Section will review the claim to determine the need for initial development of evidence and if the submitted evidence is sufficient to make a decision. The case is either processed to completion or referred to Senior Claims Examiner or Supervisor, depending on the complexity of the case.

## 8.03 DEVELOPMENT

a. Instructions for developing a claim are included in chapters 2 and 3.

b. A 45-day diary for control of a pending claim will be set in in the VA Insurance system. The notation "XC Case" will be made in the notes section of the system under the Veteran's file number and red flagged.

***References:***

- M29-1, Part III, Chapter 2: Preliminary Development of Claims
- M29-1, Part III, Chapter 3: Development of Original Claims

## 8.04 PROOF OF TOTAL DISABILITY

When a claim for waiver of premiums is filed after the death of the insured, evidence establishing total disability for six consecutive months prior to the age of 65 must be of record in VA within one year of the insured's death.

a. If evidence is not received within one year from the date of death of the insured, the claim will be disallowed.

b. When the claimant is requested to furnish additional evidence, he/she will be advised of the time remaining in the one-year limitation period for the submission of such evidence.

c. When evidence is submitted timely but is incomplete as to medical or employment history, this evidence may be sought and obtained even though the one-year period has expired. The question of what medical and employment evidence is required must be determined on an individual case basis.

d. When the evidence of total disability is at least in equipoise (50% in favor of the Veteran, 50% against the Veteran), the claim shall be determined in favor of the Veteran.

## 8.05 MATURITY OF INSURANCE UNDER 38 U.S.C. 1913

a. When premiums cannot be waived under section 1912, solely because the insured died before total disability continued for six months, and satisfactory proof of such fact is received within one year of the insured's death, the insurance shall be deemed to be in force on the date of death, and the unpaid premiums shall become a charge against the proceeds of his/her insurance. (See 38 U.S.C. 1913.)

b. When a decision is rendered by the VCE in the Live Claims Division based on such facts, the computer-based 1565 will be completed in the VA Insurance system.

c. After the decision is made, the case will be referred to the Death Claims Division for payment of the proceeds.

***References:***

- 38 U.S.C. 1912: Total Disability Waiver
- 38 U.S.C. 1913: Death Before Six Months' Total Disability

## 8.06 PREPARATION OF COMPUTER-BASED 1565 (WAIVER DETERMINATION)

In preparing the 1565 in a death case, the instructions listed in chapter 4, paragraph 4.04a, will be followed with the exceptions listed below:

| **Item** | **Entry Required** |
|---|---|
| Claim No. | Enter a X before the c and number or XSS (Social Security) and number. |
| Diary Control | Leave blank. |
| Method of Premium Payment | Leave blank. |

**Total or Total Permanent Disability Found**

| | |
|---|---|
| From | Insert the established total disability date. |
| To | Insert the date of death. |
| Follow-Up Date | Leave blank. |
| Severity Code | Leave blank. |
| Review Date | Leave blank. |
| Disability Classification Code | Enter VA disability rating code that waiver is being granted on. |
| Action Code | Enter 4. |

| | |
|---|---|
| Principal Occupation(s) | Complete with employment information found. |
| Educational Background | Complete with information found. |

***References:***

- M29-1, Part III, Chapter 4, Section 4.04: Partial Denial

## 8.07 NOTIFICATION OF ACTION TAKEN

a. When the insured dies before completion of action on his or her claim or when the claim is submitted by an eligible claimant, and such claim is denied or partially denied, a letter will be sent to the beneficiary, or the beneficiary's guardian or fiduciary if the beneficiary is a minor or incompetent.

b. If a claim for waiver under section 1912 or 1913 has not been filed, but entitlement under section 1913 is found by VA Insurance, no waiver will be issued, and no letter will be released by ICD. A timely claim must be filed with the VA Insurance Center for waiver of premiums under 1912 or 1913 for a benefit to be issued.

***References:***

- 38 U.S.C. 1912: Total Disability Waiver
- 38 U.S.C. 1913: Death Before Six Months' Total Disability

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**Publication Date:** September 19, 2019

### 9.01 JURISDICTION

a. The Insurance Claims Division is responsible for and has jurisdiction in questions of fraud in relation to determinations of total disability. Fraud decisions are subject to the appeals procedure as detailed in M29-1, Part IV, Chapter 7. If the possibility of fraud is

detected by another element of the Insurance Operations Division, the case will be referred to the Insurance Claims Division.

b. The Deputy Director for Insurance, will, upon request from one of the operational elements, review and render a final decision concerning fraud in unusual or complex cases subject only to review through appellate or judicial procedures. The Deputy Director may upon their own initiative, review any decisions rendered by the Insurance Claims Division and, if appropriate, render an independent decision on the merits of the case which will be binding upon such offices.

***References:***

- M29-1, Part IV, Chapter 7: Procedures If a Veteran/Claimant Disagrees With a Benefit Decision

*Circulars & SOPs*

- VAIC Circular 29-06-2017: Insurance Fraud Reporting Procedures for VA Insurance Employees

## 9.02 INITIAL CONSIDERATION

a. CE should review VA systems for additional information pertaining to fraud for disability insurance benefits.

b. If, upon review of the resources above, there is potential fraud, the insurance electronic record will be updated to reflect the status of the fraud investigation/review.

c. If false or misleading statements were made in connection with total disability determinations, and the applicant's mental condition makes it questionable as to whether he/she comprehended the nature of his/her action in making false statements, the case should be forwarded to Deputy Director for Insurance for review as to the possible existence of fraud. Such a case will be fully developed before it is submitted. The fact that the insured may have previously suffered from a mental illness of a varying degree will not of itself warrant submission. Evidence must be presented to establish that at the time the application in question was filed, the applicant was suffering from a mental illness of such severity as to cause a radical departure from his/her normal conduct. It must be determined, with reasonable certainty, that the applicant could not be held responsible for his or her act. The evidence must be strongly suggestive that the applicant did not comprehend the nature of his/her act.

**NOTE:** For additional information on handling of fraud referrals for incompetent Veterans, see M29-1, Part I, Chapter 31, paragraph 31.41.

d. If any findings indicate possible fraud the CE will make a detailed summary explaining their findings within the VA Insurance system. The CE will then prepare a letter to the Veteran requiring them to submit additional documentation on the issue of fraud. A diary call-up should be set for 45 days for response.

***References:***

- M29-1, Part I, Chapter 31, Section 31.41: Submission of Cases for Possible Prosecution

## 9.03 EVALUATING WITHHELD INFORMATION

When the withheld information appears to be material to the question of acceptability, then examination of the pertinent provisions of the current Medical Underwriting Procedures Manual, M29-1, Part V, should be made by the VCE to the Senior VCE.

a. If the information withheld is obviously immaterial when applied against the manual (the condition(s) are not listed or would result in zero debits in M29-1, Part V), the information will be documented on the electronic Insurance record.

b. If the information withheld is material when applied against the manual (the condition(s) would result in more than zero debits in M29-1, Part V), the VCE or Senior VCE will develop for evidence of the condition for any necessary periods of time called for by the manual. The VCE or Senior VCE should attempt to obtain this evidence from VA systems; if not available, the evidence should be requested from the Veteran.

***References:***

- M29-1, Part V: Medical Underwriting Procedures

## 9.04 NOTICE TO INSURED

a. When a determination has been made that fraud has occurred, a letter will be sent to the insured. The insured will be provided a copy of the pertinent evidence in question asking them to explain the conflicting information.

b. Actions While Fraud Decision Pending for Living Insured

   1. If monthly disability benefits payments are currently being made, they will be terminated effective as of date of last payment, pending the determination of fraud, and the insured will be told of this action.

   2. Waiver of premiums will not be stopped while fraud is being considered.

   3. Immediately upon the discovery of fraud or possible fraud, a red flag will be placed on the electronic insurance record.

   4. A 45-day diary message, FRAUD DEC PEND, will be entered in the master record as a flash to all operating personnel.

   5. A policy freeze will be inserted in the master record.

   6. All subsequent incoming correspondence related to the fraud action will be referred to the Insurance Claims Division.

   7. Extreme care should be exercised in the release of correspondence to the insured while fraud is pending. These letters must not be in conflict with the possible fraud action. The electronic insurance record should be reviewed in connection with any action taken while a fraud decision is pending.

## 9.05 INSURED'S REPLY

a. Careful consideration should be given to the insured's reply and explanation with particular attention focused on the information relating to their knowledge and intent.

b. If the reply is unclear or ambiguous, clarification should be requested.

c. Evidence of a diagnosis in VA systems or other medical records, in and of itself, does not prove the insured's knowledge and intent of the condition. Rather, it must be ascertained whether the insured was alerted of the condition and was being treated for it. If the insured was receiving medication for treatment of a condition, this should be viewed as evidence that the insured had knowledge of the impairment.

## 9.06 ACTIONS WHILE FRAUD DECISION PENDING FOR DECEASED INSURED

a. If the insured dies while a case is under consideration for fraud, development will continue until a decision can be made. The beneficiary will be given the opportunity to rebut the allegation of fraud. A letter will be released informing the beneficiary(is) that the case is being developed for fraud and giving the current status of the fraud development.

b. If the insured has multiple policies, and only one policy is under development for fraud, proceeds of any policy that can be paid will be released to the beneficiary as soon as the appropriate evidence is received. The beneficiary will be informed that settlement of the other contract(s) will be delayed pending the resolution of the fraud question.

## 9.07 PREPARATION OF VA FORM 29-808, DECISION OF INSURANCE CLAIMS DIVISION- GOVERNMENT LIFE INSURANCE

a. General

   1. Formal decisions will be prepared on VA Form 29-808, on VA Insurance Systems and will be prepared by the Senior Claims Examiner, as appropriate, requiring the signatures of the Senior Claims Examiner Supervisor and the Chief Insurance Claims Division, or designee. No copies of fraud decisions will be released to service organizations.

   2. The decision will follow the format required in the preparation of a "Statement of the Case" so that in the event of an appeal the preparation of such statement can be facilitated.

b. Specific Entries

   1. Item 1, Type of Decision Fraud

   2. Items 2, 3,4 and 5 will be completed with appropriate entries.

   3. Item 6, Remarks area and continuation pages, as needed, will contain the following elements:

(a) Issue

(b) The basis for consideration of the question of fraud

(c) Contention of insured

(d) The law and regulations (38 U.S.C. 1910)

(e) Summary of evidence

(f) Reasons for decision

(g) Decision. The decision paragraph should contain a statement substantially as follows:

"Based upon the evidence of record, it is the decision of the Insurance Claims Division that the applicant purposely omitted information about his/her health for the purposes of misleading the VA with respect to a health condition which was material to determining his/her acceptability. As a result, the VA was misled into approving the application which would have been rejected had the facts been known." In addition, the following paragraph, completed as appropriate, will be added to the above. "Under the circumstances, the veteran's application for insurance/reinstatement dated_____ under policy number _____ is contestable for fraud and should be canceled."

4. When two reinstatements are involved and the first one is contestable for fraud, but a later comparative health application by itself is not considered fraudulent, the following will be used as a concluding paragraph under decision. "Since the application dated for reinstatement in the amount of $ was accepted on the basis of the insurance validity in force by the reinstatement dated_____ the reinstatement dated _____ should also be canceled."

c. The Senior Claims Examiner will prepare the Underwriting Worksheet in VA Insurance Systems. The refund will consist of all monies paid as premiums without interest on any fraudulent contract for any period subsequent to 1 year after date of issue, less any loan, lien or any other indebtedness.

d. VA Form 4-706, Notice of Refund, reference to the fact that ICD made the decision on fraud and the date of the decision.

e. After completing the 706 and the 808 these documents will be sent with the electronic insurance folder in VICTARS, to the Internal Controls Section to be processed and verified under their respective actions.

***References:***

- 38 U.S.C. 1910: Incontestability

## 9.08 DISABILITY INSURANCE BENEFITS FRAUD

If fraud is found on a new claim for disability insurance benefits or a continuing review at the time of the preparation of the fraud decision, the Claims Examiner will prepare a denial

of the claim or termination of the award, as appropriate, based on the finding of fraud. If there is more than one contract, and fraud is found in one or more but not all contracts, the entry "Fraud Found in This Contract," will be entered in the appropriate block on the electronic 1565.

a. When there is a continuing award on a contract and the original application is determined to be fraudulent, the award will be discontinued as of the beginning date.

b. If a reinstatement of a contract is determined to be fraudulent, the contract will be canceled as of the date of the reinstatement, and any continuing award under the reinstatement will be terminated as of the effective date of such award. However, if the insured was on extended insurance or had multiple policies, the fraudulent reinstatement may be disapproved but no action can be taken against any existing rights of the extended insurance or the policy (contract) that remained in force (and is not affected by the reinstatement).

c. A memorandum will be prepared to the Policy Service Division calling attention to the fraud decision and requesting action to cancel the contract. The memorandum will also request all the following information to be included in the letter to the claimant: The date of cancellation of the contract, the total amount of the premiums and/or suspense items to be refunded, the amount of outstanding loan to be repaid, etc.

d. After the forms are generated, the Claims Examiner will check, sign the decision, initial the file copy of the memorandum, sign the disallowance or termination forms, and take any other adjudicative action necessary, after which the case will be forwarded for consideration and approved by the Chief, Insurance Claims Division or designee.

e. The Deputy Director has final local authority concerning a fraud decision. However, in most cases this authority is delegated to the Assistant Director, Insurance Operations.

f. In view of the legal implications and far-reaching effects of a fraud decision, authority is given to the Assistant Director, Insurance Operations, to select individuals with the necessary training and experience to handle cases of possible fraud.

g. After the Policy Service Decision review, the Senior Claims Examiner will prepare a letter to be sent by mail notifying the claimant of the disallowance of the claim or the termination of insurance benefits, the date of cancellation of the contract, the amount to be refunded and all the other pertinent accounting information. The insured will be fully informed of his/her right to appeal and advised of the time limit thereon as in other cases.

## 9.09 FRAUD NOT INVOLVING DISABILITY INSURANCE BENEFITS

When a determination of fraud is made by the Insurance Claims Division which does not involve a claim for disability insurance benefits, the case will be referred to the Policyholder Services Division and action will be taken as outlined in paragraph 9.11, except that disallowance of claim, stop waiver and stop notice forms will not be necessary.

***References:***

- M29-1, Part III, Chapter 9, Section 9.11: Finding of No Fraud

## 9.10 DISPOSITION OF FRAUD DECISIONS

All documents related to the disposition of fraud determinations will be maintained in the electronic insurance record.

## 9.11 FINDING OF NO FRAUD

If a formal decision determines that there is no fraud under 38 CFR 3.901, personnel will follow the same procedures when a determination is made that there is fraud, except notice to the insured will not be required.

***References:***

- 38 CFR 3.901: Fraud

## 9.12 REVERSALS OF FRAUD DECISIONS

Fraud decisions, made by the Assistant Director, Insurance Operations, based on available evidence, cannot be reversed except by the Deputy Director, unless there is new and material evidence provided by the insured. A mere difference of opinion or judgment is not sufficient; however, new and material evidence will support reconsideration of the question of fraud whenever received.

## 9.13 REINSTATEMENTS AND UNASSOCIATED REMITTANCES

a. When a question of fraud arises in connection with reinstatement of insurance and the application of previously unassociated remittance(s) would have prevented the lapse of the insurance if applied to the months for which originally paid, the reinstatement of the insurance will be disregarded and fraud will not be considered.

b. If the previously unassociated remittance(s) was insufficient to cover the entire period up to the date of reinstatement, then the date of lapse, for the purpose of consideration of the question of fraud, will be determined on the basis of the insurance having been in force for the period covered by the previously unassociated remittance(s).

## 9.14 CRIMINAL PROSECUTION OF FRAUD

Generally, when fraud has been found and the insurance has been canceled, the case should be handled per internal procedures

***References:***

*Circulars & SOPs*

- VAIC Circular 29-06-2017: Insurance Fraud Reporting Procedures for VA Insurance Employees

# Key Changes

**Rescissions**

M29-1, Part 3, Chapter 10 is being removed in its entirety. Appeals process information is being integrated into M29-1, Part 4, Chapter 7 – Appellate Procedures.

**Authority**

By Direction of the Under Secretary for Benefits

**Signature**

Vincent E. Markey, Director

Insurance Service

**Distribution**

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# Key Changes

**Rescissions** M29-1, Part 3, Chapter 11 previously removed in its entirety.

**Authority**

**Signature**

**Distribution** LOCAL REPRODUCTION AUTHORIZED

**Washington, DC 20420**

# Key Changes

**Rescissions**

M29-1, Part 3, Chapter 12 is being removed as the information is already included in M29-1, Part 1, Chapter 35- Third Party Requests and M29-1, Part 4, Chapter 7- Appeals.

**Authority**

By Direction of the Under Secretary for Benefits

**Signature**

Vincent E. Markey, Director

Insurance Service

**Distribution**

LOCAL REPRODUCTION AUTHORIZED

# Key Changes

| | |
|---|---|
| **Rescissions** | M29-1, Part 3, Chapter 13 is being removed as VA Insurance is no longer conducting extra hazard determinations for disability claims. |
| **Authority** | By Direction of the Under Secretary for Benefits |
| **Signature** | Vincent E. Markey, Director<br>Insurance Service |
| **Distribution** | LOCAL REPRODUCTION AUTHORIZED |

# Part IV Medical Determination Procedures


| Section | Name |
| --- | --- |
| Chapter 1 | Service-Disabled Veterans' Insurance (RH) Title 38 U.S.C. 1922(a) |
| Chapter 2 | Total Disability Income Provision |
| Chapter 3 | Replacement of Expired Permanent and Term Insurance (Title 38 U.S.C. 1981(a) and (b)) |
| Chapter 4 | Medical Reinstatements |
| Chapter 5 | Change of Plan (Medical) |
| Chapter 6 | Cancellation, Fraud or Forfeiture |
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**Publication Date:** October 29, 2021

### 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 or by December 31, 2022, whichever comes first. 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.

***References:***

- 38 U.S.C. 1922: Legacy Service-Disabled Veterans' Insurance

*Forms*

- VA Form 29-4364: Application for Service-Disabled Veterans Insurance

*User Guides*

- SDVI Intake Process User Guide in VISION and LifePro
- Activation of Pending S-DVI Policy in LifePro

## 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.

***References:***

*User Guides*

- S-DVI Intake Process User Guide in VISION and LifePro, Page 4
- Activation of Pending S-DVI Policy in LifePro

## 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 8.32, 38 CFR 13.40, 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.

***References:***

- 38 CFR 8.32: Authority of the guardian
- 38 CFR 13.40: Representation of beneficiaries in the fiduciary program
- M29-1, Part V: Medical Underwriting Procedures

*Circulars & SOPs*

- SOP 29-19-020: Comprehensive Medical Underwriting

*User Guides*

- SDVI Intake Process User Guide in VISION and LifePro, Page 15 (Medical Determination)
- Activation of Pending S-DVI Policy in LifePro

*Forms*

- VA Form 29-4364: Application for Service-Disabled Veterans Insurance

## 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, within 2 years after removal of such disability, or by December 31, 2022, 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 38 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 period. 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.

***References:***

- 38 U.S.C. 1922: Legacy Service-Disabled Veterans' Insurance

## 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.

***References:***

*Forms*

- VA Form 29-4364: Application for Service-Disabled Veterans Insurance

*User Guides*

- S-DVI Intake Process User Guide in VISION and LifePro, Page 8
- Activation of Pending S-DVI Policy in LifePro

## 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 or December 31, 2022, whichever comes first.

d. When an application is disapproved because the rating decision is more than 2 years from the date of notification or application is received after December 31, 2022, 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 or December 31, 2022, whichever comes first.

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.

***References:***

*Forms*

- VA Form 20-0998: Your Right to Seek Review of Our Decision

## 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.

1. The following scenarios should be considered when reviewing for considerations of waiver:

i. If the Veteran, applying for a new S-DVI policy, is considered totally disabled for a non-service connected condition prior to the date of receipt of the application, and the non-service connected condition can be debited below 300, the S-DVI policy can be granted. However, VA

cannot grant waiver of premiums on the policy because total disability was due to non-service connected condition(s) prior to the effective date of the policy.

ii. If the Veteran is considered totally disabled due to a service-connected condition, a waiver of premiums can be granted, even if the total disability began prior to the effective date of the policy.

iii. If the Veteran with a current active policy is later determined to be totally disabled due to a non-service-connected condition, a waiver of premiums may be considered.

Additional information regarding waiver of premiums, in general and on S-DVI at time of application can be found under M29-1, Part I, Chapter 14, Section 14.04 and M29-1, Part III, Chapter 4, Section 4.02

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 ensure 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.

***References:***

- M29-1, Part I, Chapter 14, Section 14.04: Requirements
- M29-1, Part III, Chapter 4, Section 4.02: Evaluation of the Evidence

*Forms*

- VA Form 29-357: Claim for Disability Insurance

*User Guides*

- Waiver Application Process User Guide in VISION and LifePro

## 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.

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.

***References:***

*Forms*

- VA Form 29-336: Designation of Beneficiary

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**Publication Date:** January 27, 1976

### 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.

***References:***

- M29-1, Part I, Chapter 2: Premiums (Insurance and TDIP)
- M29-1, Part I, Chapter 16: Total Disability Income Provision (NSLI & USGLI)

## 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 M29-1, 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 M29-1, part I, chapter 16 and M29-1, 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.

***References:***

- M29-1, Part V, Chapter 2: Medical Underwriting Procedures
- M29-1, Part I, Chapter 16: Total Disability Income Provision (NSLI & USGLI)
- M29-1, Part V: Medical Underwriting Procedures

## 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:

   (1) 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:

(1) 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. 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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## Part IV Chapter 3 - Replacement of Expired Permanent and Term Insurance (38 U.S.C 1981 (a) and (b))


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**Publication Date:** January 27, 1976

### 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.

***References:***

- 38 U.S.C 1981: Replacement of Surrendered and Expired Insurance

### 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. 1, 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.

***References:***

- M29-1, Part I, Chapter 12, Section 12.03: Returned Checks
- M29-1, Part V: Medical Underwriting Process

## 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).

***References:***

- M29-1, Part IV, Chapter 3, Section 3.03(c)(1): Approved Applications
- M29-1, Part IV, Chapter 3, Section 3.03(c)(2): Approved Applications

## 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:

(1) 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:

(1) 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.

***References:***

*Forms*

- VA Form 29-4364: Application For Service-Disabled Veterans Insurance
- VA Pamphlet 29-9: Service-Disabled Veterans Insurance RH Information and Premium Rates
- VA form 29-357: Claim for Disability Insurance

User Guides

- Waiver Application Process User Guide in VISION and LifePro
- SDVI Intake Process User Guide in VISION and LifePro

## 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 l 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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**Publication Date:** January 27, 1976

### 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 I, chapter 3, subchapter 2 and chapter 20. The procedures for development of medical evidence are provided for in MP-1, part V.

***References:***

- M29-1, Part I, Chapter 3, Section 3.02: Guaranteed Values after Lapse (Permanent Plans)
- M29-1, Part I, Chapter 20: Reinstatement Insurance and TDIP Key Changes

*Forms*

- VA Form 29-352: Application for Reinstatement (Insurance Lapsed More Than 6 Months)
- VA Form 29-353: Application for Reinstatement (Nonmedical Comparative Health Statement

## 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:

(1) The policy has other indebtedness which was deducted from the reserve at time of lapse.

(2) There was a combination of dividend deposits and a loan, and the account had been placed on extended insurance.

(3) A lien was deducted from the reserve value at time of lapse.

(4) A premium shortage existed at the time of lapse and the account had been placed on extended insurance.

(5) The reinstatement is for a reduced amount.

(6) The month of reinstatement is on or after an action date: i.e., date premium payment ceases on 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. 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.

***References:***

*Forms*

- VA Form 29-336: Designation of Beneficiary

## 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:

(5) 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.

(6) 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.

(7) 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.

(8) 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.

(9) 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.

(10) 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.

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

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

(13) 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.

(14) 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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**Publication Date: January 27, 1976**

### 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.

***References:***

- M29-1, Part I, Chapter 19: Change of Plan
- M29-1, Part V: Medical Underwriting Procedures

*Forms*

- VA Form 29-1549: Application for Change of Permanent Plan (Medical)

## 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.

b. 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.

***References:***

*Forms*

- VA Form 29-1549: Application for Change of Permanent Plan (Medical)

## 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:

(1) 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.

***References:***

*User Guides*

- Reissuing a Policy User Guide in LifePro

## 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:

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

(5) 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.

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

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

(8) 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:

(1) 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:

(3) 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.

(4) Cancel the TDIP.

(5) 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:

(1) 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) (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) (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:

(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 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.

***References:***

- M29-1, Part I, Chapter 11: Maturing Endowments
- M29-1, Part II, Chapter 10: Matured Endowments
- M29-1, Part IV, Chapter 5, Section 5.03: System Processing of Applications
- M29-1, Part IV, Chapter 5, Section 5.04: Clerical Processing of Applications
- M29-1, Part IV, Chapter 5, Section 5.06: Maturing Endowments

*Forms*

- VA Form 29-1549: Application for Change of Permanent Plan (Medical)

## 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.

***References:***

- M29-1, Part V: Medical Underwriting Procedures
- M29-1, Part IV, Chapter 5, Section 5.06(d)(3)(b): Maturing Endowments

## 5.08 WITHDRAWAL OF APPLICATION

a. When a properly signed request for withdrawal or for a permissible plan or amount, other than **s**tated 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:

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

(7) 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.

(8) 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.

(9) 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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**Publication Date: January 27, 1976**

### 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. 1911.

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.

***References:***

- 38 U.S.C.: Veterans' Benefits
- 38 U.S.C. 1911: Forfeiture

## 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:

   1. 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:

1. 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.

***References:***

*Circulars & SOPs*

- VAIC Circular 29-06-2017: Insurance Fraud Reporting Procedures for VA Insurance Employees

## 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.

***References:***

- 38 U.S.C.: Veterans' Benefits

## 6.04 FORFEITURE UNDER 38 U.S.C. 1911

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. 1911, 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. 1911, 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. 1911 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. 1911 - 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. 1981, 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. 1922) 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. 1912, 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.

***References:***

- 38 U.S.C. 1911: Forfeiture
- 38 U.S.C. 1981: Replacement of Surrendered and Expired Insurance
- 38 U.S.C. 1922: Legacy Service-Disabled Veterans' Insurance
- 38 U.S.C. 1912: Total Disability Waiver

## 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. 1911 DATE _____SIGNATURE _____

   2. For USGLI: INSURANCE FORFEITED TITLE 38 U.S.C. 1954 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(1) 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).

***References:***

- 38 U.S.C. 1911: Forfeiture
- 38 U.S.C. 1954: Forfeiture

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### 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 (BVA) 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 Right to Seek Review of Our Decision to provide this notice, which includes an explanation of the procedure for obtaining review of a decision.

***References:***

- Veterans Appeals Improvement & Modernization Act of 2017 (PL 115-55)

*Forms*

- VA Form 20-0998: Your Right to Seek Review of Our 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

***References:***

- 38 CFR 8.30: Review of Decisions and Appeal to Board of Veterans' Appeals

*Forms*

- VA Form 29-0998: Your Right to Seek Review of Our Decision

## 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.

***References:***

- M29-1, Part IV, Chapter 7, Section 7.02: Decisions Subject to the Review Process

*Forms*

- VA Form 29-0998: Your Right to Seek 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 BVA.

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 BVA. 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 BVA. The Insurance Service's responsibility is to forward any formal Notice of Disagreements directly to BVA and then to act on any remands where the Board has instructed Insurance to remedy a decision. Veterans/Claimants will use VA Form 10182, Decision Review Request: Board Appeal (Notice of Disagreement) to request an appeal directly with BVA.

   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.

***References:***

- M29-1, Part IV, Chapter 7, Section 7.02: Decisions Subject to the Review Process

*Forms*

- VA Form 10182: Decisions Review Request: Board Appeal (Notice of Disagreement)

## 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.

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

a. 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 BVA and will be sent to the BVA by Clerical Support as noted in M29-1, Part IV, Chapter 7 Section 7.06(f). For individual cases where there is a question whether correspondence is an appeal, Section Chief 295 will review the correspondence and make that determination.

b. 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 - 38 USC 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

c. **Supplemental Claims Review** - 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, review of the claim will be assigned by digit assignment. The employee assigned to review the claim will determine the next action needed.

1. If the VA Form 20-0995 is received and new and relevant evidence is submitted with the form, the employee must review the new evidence, issue a decision, and/or take appropriate action.

2. If the claimant submits the VA Form 20-0995 without providing or identifying the evidence requested in Boxes 14, 15, or 15A, then the application is considered incomplete. In such cases, a letter should be released to the claimant requesting the evidence and/or completion of the form.

    a) The claimant will be provided 60 days to respond. If a response is received within 60 days, then the evidence will be accepted as being received with the VA Form 20-0995.

    b) For tracking purposes only, an internal 75 day call up within the Insurance Systems should be established so any evidence received can be quickly associated with the task.

3. If the claimant requests assistance obtaining evidence, determine if the claimant is asking for assistance obtaining non-federal records (Box 14) or federal records (Boxes 15 and 15A).

    a) If the claimant requests assistance in obtaining non-federal records (i.e. medical records from a non-VA doctor), release a letter to the holder of the non-federal records requesting the information, allowing the non-federal record holder 15 days to reply.

        1) If the non-federal records are received within the 15-day period, review the evidence and process the Supplemental Claim.

        2) If the non-federal records are not received at the end of 15 days, a second attempt is required by phone.

            i. If phone contact is made with the non-federal record holder, another 15 days will be provided for the evidence to be submitted.

            ii. If the non-federal record holder cannot be reached via telephone, the employee will release a letter to the claimant, explaining that the non-federal records could not be obtained and that the claimant is ultimately responsible for submitting any evidence they want us to consider. The claimant is given 15 days to submit any additional evidence.

            iii. If the non-federal record holder responds within the 15-day period with a consent form they require to be completed by the claimant, send a letter to the claimant, providing the non-federal records holder's release form. The letter will allow 30 days for the form to be returned.

                (a) Once the release form is returned, the process to contact the non-federal record holder starts over.

                (b) If the release form is not received from the claimant, the Supplemental Claim will be completed with the information available at that time.

    b) If the claimant is asking for assistance obtaining federal records, determine which Federal Agency the records belong to.

1) For VA records, evidence must be reviewed via VBMS and/or CAPRI prior to processing the Supplemental Claim.

2) If the records belong to a Federal Agency other than VA, the employee will send a free text letter to the Agency specified in Box 15A requesting the evidence. This letter will allow 30 days for the Agency to provide a response. Upon receipt, review the evidence and process the Supplemental Claim.

i. If a response is not received by the outside Agency within 30 days of the date of the letter requesting the evidence, proceed with processing the supplemental claim without the additional evidence.

c) If Box 15A does not have the specific location on where to send the request, release a letter to the claimant and request the information. The letter will also invite the claimant to submit the evidence themselves. The claimant should be given 60 days to respond.

1) Establish an internal 75 day call up within the Insurance Systems for tracking purposes only, so any evidence received can be quickly associated with the task.

d) Upon deciding the Supplemental Claim, release a letter notifying the claimant of the decision. Denial letters must again include VA Form 20-0998.

d. **Higher-Level Reviews** - 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.

The employee completing a Higher-Level Review must be a GS-11 or above. If the employee who received the workflow assignment is not a GS-11 or higher, the task will be reassigned. If the original denial was done by a GS-11, then it will be assigned to a journeyman GS-11 or to a GS-12 or above.

The employee who has the final assignment of the workflow task determines what action should be taken next.

1. A full review of the completed VA Form 20-0996 should be completed prior to reviewing the evidence of record.

a) If upon review of the VA Form 20-0996, it is noted that the claimant is requesting an informal telephone conference, for themselves or their representatives, the employee will make a reasonable effort to conduct the telephone conference with no fewer than two attempts.

1) Reviewers are permitted to hold the telephone conference immediately, if when calling to schedule the telephone conference during the timeframe noted on the form, the claimant is available and agrees.

2. Any new and relevant evidence submitted with the Higher-Level Review form will not be reviewed, unless the claimant states they wish to withdraw the Higher-Level Review request and instead choose a Supplemental Claim Review.

e. If a Higher-Level Review or Supplemental Claim is received without a VA Form 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. If a response is not received within 60 days, then the claimant will be informed that no action will be taken. The letter will also include a reminder that the claimant still has one year from the date of the denial decision to submit a new request for review.

   If the claimant submits a supplemental claim and/or the related new and relevant evidence in support of the supplemental claim after the one-year deadline to file an appeal, a new date of claim will be assigned based on the date of receipt of the new supplemental claim and related evidence.

f. **Appeals to the Board of Veterans Appeals** – If a VA Form 10182 "Board Appeal, Notice of Disagreement" is received through the Centralized Mail (CM) Portal Insurance queue, it should be re-routed to the appropriate BVA queue. If the VA Form 10182 is received outside of the CM Portal, it should be forwarded to BVA by faxing the documentation to 1-844-678-8979 or mailing directly to BVA at: Board of Veterans' Appeals, PO Box 27063, Washington, DC 20038 and uploading a copy of the VA Form 10182 into VBMS. The following additional actions should then be taken:

   1. The employee will release a letter informing the claimant that their appeal is being forwarded to BVA.

   2. The employee will email all Insurance documents pertinent to the appeal in a PDF document to a Chief of Claims for proper upload into VBMS.

   3. The appeal is then entered into Caseflow and certified to BVA.

   4. When VA Form 10182 is received directly by BVA, the BVA employee will enter it in Caseflow.

      a) The work queue in Caseflow will be checked each day by the Claims Chiefs or Management Analysts to determine if there is a new Notice of Disagreement (NOD) pending for BVA, if the Board has remanded the NOD to Insurance Service for further review, or if a decision has been made.

1) If a new NOD is discovered, the appropriate documentation will be uploaded in VBMS by the Claims Chiefs so that it is available for BVA review.

2) If a NOD has been remanded to Insurance Service, the BVA requested action(s) will be taken.

If Caseflow is unavailable, BVA will communicate with Insurance Service through a shared email box, VAVBAPHI/IC/295.

***References:***

- 38 CFR 8.30: Review of Decisions and Appeal to Board of Veterans' Appeals
- 38 U.S.C. 1922: Legacy Service-Disabled Veterans' Insurance

*Forms*

- VA Form 10182: Decisions Review Request: Board Appeal (Notice of Disagreement)
- VA Form 20-0996: Information and Instructions for Completing Decision Review Request (Higher-Level Review)VA Form 20-0995: Information and Instructions for Completing Decision Review Request (Supplemental Claim)

## 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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| 8.02 | Insurance Granted under 38 U.S.C. 1922(b) |
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**Publication Date:** February 11, 2021

### 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:

   1. Prepare VA Form 29-8522, Policy, transaction type 082, to change the premium and the disability rate code.

   2. Send a letter to the insured advising of the decision. Also, the letter should include current status of the adjusted account and premium notices for the new premium rate.

d. If the favorable decision involves the changing of a JR policy to J, the following input documents will be prepared by the LMA to change the master record:

1. VA Form 29-8527, Accounting Control, transaction type 099, reason code 07, to delete the JR master record from tape.

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

3. VA Form 29-5896a, Life Input, transaction type 000.

**NOTE**: If the insured has an existing account on *the* insurance master record, the above documents are not prepared.

4. VA Form 29-8522, transaction type 002.

5. VA Form 29-8523, Premium/TDIP, transaction type 003.

6. VA Form 29-8527, transaction type 089, reason code 07, 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. 1922(b)

a. Title 38 U.S.C., Section 1922(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. 1922(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:

   1. A rating decision for the purpose of 38 U.S.C. 1922(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.

***References:***

- 38 U.S.C. 1922: Legacy Service-Disabled Veterans' Insurance

## 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.

# PART V - MEDICAL UNDERWRITING PROCEDURES


| Section | Name |
| --- | --- |
| Chapter 1 | General Information |
| Chapter 2 | Medical Underwriting Procedures |

This appendix has been removed as outdated and obsolete. Please use the following website for information that was previously located here: http://www.globalrph.com/medical-terminology-B.htm

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**Production Date:** January 07, 2020

## 1.01 GENERAL

a. The Secretary of Veterans Affairs is vested by law with the authority to establish health requirements for the various types of Government insurance coverage and in such instances, evidence of good health, comparative health or commercial uninsurability, all satisfactory to the Administrator, must be furnished by an applicant for insurance.

b. Numerical ratings are used in medical underwriting as a means of classifying or grouping applicants according to their state of health. Under the numerical rating system, the basic rating for all risks is 100-equivalent to 100 percent standard mortality. Additional mortality debits for existing impairments are added. The total of these numerically expressed debits and credits is the mortality ratio of the risk. For the purpose of meeting good health requirements, a rating of 300 or less is necessary.

***References:***

- "Good Health" Requirements, 38 CFR Chapter 1; Part 8; §8.0 Definitions

## 1.02 CLAIMS EXAMINER'S ROLE AND RESPONSIBILITY

The Claims Examiners' primary function involves authority to approve VA life insurance coverage based on medical underwriting (good health) standards. Therefore, the Examiner must concentrate on evaluating carefully all available medical evidence to determine the present state of each applicant's health. When the information available in VA systems is not adequate to make a final decision, additional information must be requested from the applicant.

***References:***

- "Good Health" Requirements, 38 CFR Chapter 1; Part 8; §8.0 Definitions

## 1.03 REVIEWING THE MEDICAL EVIDENCE

a. All application questions pertaining to the health of the applicant must be answered. Generally, there is no provision for waiver of any answer required from applicants. However, if an item(s) is left blank and the answer is apparent either by the explanation(s) elsewhere on the application or from the evidence in VA systems, further development is not necessary; i.e., applicant is unemployed, totally disabled or institutionalized, the questions relating to employment may be waived. In addition, when a guardian of an incompetent Veteran does not possess complete knowledge of the Veteran's medical history, evaluation of the application will be made on the basis of the available evidence in VA systems.

b. When evidence in VA systems does not provide sufficient information upon which to base a rating for certain non-service-connected impairments, additional information will be requested from the applicant. Additional information should not be requested if there is sufficient information within VA systems upon which to base a rating as over development can be costly and time consuming.

c. Quite often it is necessary to rate the cause of a condition, rather than the condition itself. For example, abdominal tenderness does not call for a debit rating. However, if it is determined that the tenderness is caused by an obstruction in the intestines, rate for cause (RFC), and then apply the rating for Intestinal Obstruction.

d. When an incomplete medical application is received and the missing items cannot be waived under existing procedures, the application will be held pending. The answers will be obtained by calling the applicant. If the applicant cannot be reached by phone, the information should be requested by mail.

e. Applications received from inmates of penal institutions should be processed in the same way as applications from any other veterans. It is not necessary to develop the reason for incarceration. Any medical data required should be obtained.

***References:***

*Circulars & SOPs*

- SOP 29-20-020 Comprehensive Medical Underwriting

*Forms*

- VA Form 29-4364 Application for Service-Disabled Veterans Insurance

*User Guides*

- SDVI Intake Process User Guide in VISION and LifePro
- Activation of Pending S-DVI Policy

## 1.04 DEBIT RATINGS

For most impairments, debits are assigned when the condition is shown to be present at the time of application and, in many instances, for a period of time after recovery (history). There are some impairments, however, where it is not practical to assign a debit to a current condition. Where an applicant is hospitalized or bedridden on the date of application because of a serious impairment, the application should be rejected. However, if the illness is minor or temporary or one of short duration, additional medical information should be obtained before final action is taken. If the evidence shows that the applicant has fully recovered and has returned to his-normal duties, the application may be accepted as of the original date of submission.

## 1.05 HOW TO DETERMINE THE RATING

a. To determine a numerical rating, the basic rating should be obtained first utilizing the debit manual. Additional debits should be applied based on the guidance in the debit manual for complicating factors or rating for cause (RFC).

b. Impairments are listed in alphabetical order for easy reference. Under each listing there is a discussion of the impairment, a statement of medical requirements, and a list of debits.

c. In those instances where, instead of a single debit, a range is shown such as "0-30," "0-100," or "500-R," which is called a "spread," the rating assigned will depend on the merits of the particular case. Factors influencing judgment are the severity of the symptom, duration and number of attacks, complications, residuals, age of applicant, and time elapsed since onset. When it is shown that an applicant has suffered an accident, injury, trauma, operation, or an "attack" because of an illness or disease, or is contemplating hospitalization, medical or surgical treatment, the applicant is required to show recovery, to have regained his health, to be symptom free, or free from any residuals of the illness or disease that may be determined to be of a material degree for standard insurance. The periods specified in the debit manual are the generally accepted periods of time to determine whether recovery has been affected.

d. The action or rating required for impairments is expressed as follows:

    1. "0"-represents standard with no debit. When this figure appears alone without other symbols, it means that consideration is possible without applying a debit.

    2. "0-40"-represents standard but may have a debit. Where the factors show absence of symptoms, that the duration of attacks was not prolonged, no complications or residuals, and the lapse of time of recovery is reasonable, the zero rating will be applied.

    3. "0-100"-represents standard to outright rejection of a standard risk.

    4. "40-100"-represents a debit which may or may not bar acceptance of a standard risk, depending on other items in the physical examination report.

    5. "300+means substandard, and rejection for standard insurance is in order.

e. Medical underwriting debit calculations will be prepared on all applications, approval or denials, with the exception of applications denied for non-medical reasons. All non-service-connected conditions should be appropriately debited and signed off on by the Claims Examiner.

f. Service-connected impairments waived in RH insurance applications will be noted "SCE" (service-connection established) adjacent to the disability named.

***References:***

- M29-1, Part V, Chapter 2: Medical Underwriting Manual

*Circulars & SOPs*

- SOP 29-20-020: Comprehensive Medical Underwriting

## 1.06 EXAMPLES OF THE USE OF THE DEBIT SYSTEM

Any debits necessary because of impairments will be added together to obtain the overall number of debits. An example is shown below:

Application indicates both Chronic Obstructive Pulmonary Disease (COPD) and Atrial Fibrillation (AFib). The application and VA systems indicate that COPD is moderate as the applicant in on regular medication (inhaler/nebulizer) but can still perform exercise. Debits indicated equal 150. The application and VA systems also show Paroxysmal AFib with mitral stenosis. Debits indicated equal 300. Combined debits equal 300+150, or 450, a medical reject.

***References:***

- M29-1, Part V, Chapter 2: Medical Underwriting Manual

## 1.07 UNDERWRITING RH INSURANCE

b. When an application for RH insurance is received, the Claims Examiner will review the application and VA systems to determine all service-connected and non-service-conditions. All non-service-connected must be disposed of in accordance with the debit manual and Standard Operating Procedures.

    1. If the narrative rating decision does not dispose of all the impairments shown on the application, additional development using VA systems or contact with the applicant is required. If additional information is required to underwrite an application, not available in VA systems, the applicant should be contacted by phone and only if unavailable should the information be requested by mail. Requests for information by mail should have a 30-day follow-up diary.

b. Eligibility for RH insurance requires the applicant be in good health excluding service-connected disability(ies). Accordingly, when it has been determined that an applicant meets the timeliness requirements as to service- connected disability rating, the application and the related evidence will be evaluated under debit manual.

    1. Applications will be acceptable if the non-service-connected disability does not exceed 300 debits. Non-service-connected disabilities that regardless of the severity of the disability will never exceed 0 debits, should not be developed. Special examination or development of nonservice-connected disabilities will not be made when it is obvious that the service-connected disability can be classified as terminal.

    2. In reviewing applications for non-service-connected conditions, Claims Examiners must follow the debit manual within the latitude already provided through the debit ranges for various conditions. Claims Examiners may not associate non-service-connected conditions with service-connected conditions where the rating decision clearly indicates the non-service-connected conditions are not related to military service.

c. Debits for family history are not applicable in evaluating an application for RH insurance.

d. If the non-service-connected disability is classified in the underwriting manual as a medical reject or if the applicant is totally disabled from his non-service- connected disability, the application will be rejected.

***References:***

- M29-1, Part V, Chapter 2: Medical Underwriting Manual

*Circulars & SOPs*

- SOP 29-20-020: Comprehensive Medical Underwriting

*Forms*

- VA Form 29-4364: Application for Service-Disabled Veterans Insurance
- VA Form 20-0998: Your Right To Seek Review Of Our Decision

*User Guides*

- SDVI Intake Process User Guide in VISION and LifePro, Page 17 (Medical Determination)
- Activation of Pending S-DVI Policy

## 1.08 COMPARATIVE HEALTH REINSTATEMENT

a. When the insurance has been lapsed less than 6 months, the applicant can apply via phone (if reinstatement monetary requirements have already been met) or using the VA Form 29-353. When establishment of comparative health is a requirement for acceptance of an application for reinstatement, it is necessary that the applicant be in the same or in a better state of health on the date of his application for reinstatement than he was on the last day of the grace period of the premium in default.

b. VA relies on the truth of the applicant's answers to the questions on the application. However, where there is any indication that the applicant may not be in the required state of comparative health, all necessary medical evidence must be obtained. Generally, additional evidence will not be requested in those cases where the severity of the disability will never exceed 0 debits, equally important are the cases involving impairments which, by their very nature, would have to have existed before the end of the grace period of the premium in default. Development of these cases is not necessary.

c. If the applicant certifies via phone or by application, that to the best of their knowledge and belief, they are now in as good health as they were on the date of lapse., the insurance should be reinstated. If they answer that their health is not as good as the date of lapse, the applicant will be requested to give an explanation and/or provide additional medical evidence.

d. If the applicant states that they have had any illness, disease, injury or medical treatment, since the date of lapse, and the Remarks section of the application does not provide sufficient information to properly debit the condition, additional medical evidence will be requested.

e. Evaluation of all the information referred to in the above subparagraphs, will govern acceptance or rejection of the application. In determining whether the applicant was in good health on the date of application and payment of premiums as he was on the date of lapse, the following will apply:

   1. Any disease or injury existing at the end of the grace period will be ignored for the purpose of determining the applicant's health. For S-DVI only, progression of any disease, regardless of degree, will not be a bar to reinstatement.

   2. Total disability commencing after the date of lapse and before the date of application as a result of a condition or disease that did not exist at the end of the grace period will be a bar to reinstatement.

   3. In any case where a disease is not diagnosed until after the date of lapse and before the application for reinstatement, the existence of such disease will not be a bar to reinstatement provided it can be determined based on the medical evidence that the disease existed before the date of lapse.

   4. When health requirements cannot be met, the- application will be rejected and the applicant will be told they may reapply for reinstatement upon complete recovery from the disease or injury, taking into consideration the required timelines for reinstatement.

***References:***

- M29-1, Part V, Chapter 2: Medical Underwriting Manual

*Forms*

- VA Form 20-0998: Your Right To Seek Review Of Our Decision
- VA Form 29-353: Application for Reinstatement (Non-Medical - Comparative Health Statement)

## 1.09 NON-COMPARATIVE HEALTH REINSTATEMENT

a. When the insurance has been lapsed more than 6 months, VA Form 29-352 is used as the reinstatement application. All 29-352 applications will be medically underwritten by Live Claims Division.

b. The application must be postmarked or otherwise delivered to VA within 31 days of the signature date of the applicant.

c. Applications contain specific health questions. The applications should be examined to determine if additional development is required.

d. When there is no indication on the application or in VA systems of any conditions which may preclude the applicant from meeting medical requirements, the application should be approved.

e. If the application or information in VA systems indicates a condition(s) which would obviously preclude the applicant from meeting medical requirements, the application should be disapproved, and notification sent to the applicant.

f. As with comparative health reinstatements, we will rely on the truth of the applicant's answers to the questions on the application. When the information on the application or in VA systems is not sufficient to determine if the total debits would preclude reinstatement, further development is necessary. This should be accomplished by attempting to contact the applicant by phone; if unavailable contact should be made via letter.

***References:***

- M29-1, Part V, Chapter 2: Medical Underwriting Manual

*Circulars & SOPs*

- SOP 29-20-020: Comprehensive Medical Underwriting

*Forms*

- VA Form 20-0998: Your Right To Seek Review Of Our Decision
- VA Form 29-352: Application for Reinstatement (Insurance Lapsed More Than 6 Months)

## 1.10 TIME ALLOWED FOR SUBMISSION OF SUPPLEMENTAL INFORMATION

The applicant will be allowed 31 days to respond to requests for additional medical evidence in connection with an application.

***References:***

*User Guides*

- SDVI Intake Process User Guide, Page 8 (45 Day Follow Up)

## 1.11 REASONS FOR DISAPPROVAL OF APPLICATIONS

Applications in the following categories will be disapproved:

a. Non-medical written application is not postmarked or otherwise delivered to VA within 31 days of the signature date of the applicant.

b. Medical application is not postmarked or otherwise delivered to the VA within 31 days of the signature date of the applicant.

c. Non-medical application is submitted when a medical application is required.

d. Reinstatement of any J series policy received after 5 years from date of lapse.

e. Conversion, reduction, exchange, or change of plan and the insurance is lapsed.

f. Antedated conversion and the reserve were not remitted.

g. Application for Special Ordinary Life policy to replace reduction under a Modified Life at Age 65 is received on or after the applicant's 65th birthday.

h. Application for Special Ordinary Life policy to replace reduction under a Modified Life at Age 70 is received on or after the applicant's 70th birthday.

i. Modified Life at Age 65is received after applicant reached insurance age 61.

j. Modified Life at Age 70 is received after applicant reached insurance age 69.

k. Application is timely submitted, but monetary requirements are not met,

l. Application for conversion requests an effective date more than 120 days in advance of receipt of application.

m. Application for S-DVI is submitted after 2 years from the date of notification of a new service-connected rating. Veterans with ratings dated prior to September 1, 1991 had one year, rather than the current two years, from the date of the rating notification to apply.

n. Has no service-connected disability (RH).

o. Is totally disabled upon application for change of plan

p. Is totally disabled upon application for an endowment policy, under RH insurance.

q. Is totally disabled upon application for conversion to an endowment policy

r. Has $10,000 of basic government life insurance

s. Remittance untimely or insufficient.

t. Application signed by a person other the Veteran or duly authorized agent/representative.

u. Application has an obviously altered date.

v. Application for change of plan is received after maturity date of an endowment policy.

w. Application for insurance under a policy under a closed program.

x. Application requiring medical underwriting exceeds 300 debits

***References:***

- M29-1, Part V, Chapter 2: Medical Underwriting Manual

*Circulars & SOPs*

- SOP 29-20-020: Comprehensive Medical Underwriting

*Forms*

- VA Form 20-0998: Your Right To Seek Review Of Our Decision

*User Guides*

- SDVI Intake Process User Guide, Page 17 (Medical Determination)

## 1.12 FRAUD

See M29-1, Part I, Chapter 28 and 31 and M29-1, Part III, Chapter 9.

***References:***

- M29-1, Part I, Chapter 28: Cancellation, Fraud or Forfeiture
- M29-1, Part I, Chapter 31: Disability benefits on National Service Life Insurance
- M29-1, Part III, Chapter 9: Fraud

*Circulars & SOPs*

- VAIC Circular 29-06-2017: Insurance Fraud Reporting Procedures for VA Insurance Employees

## 1.13 AUTHORITY FOR ACCEPTANCE OR REJECTION

The authority for acceptance or rejection of a National Service Life Insurance application is as follows:

a. Application for Insurance

   1. Insurance under 38 U.S.C. 1909

   2. Insurance under 38 U.S.C. 1922, 38 CFR 8.1

b. Application for Reinstatement

   1. Comparative Health, 38 CFR 8.7 through 8.9

   2. Good Health, 38 CFR 8.7 through 8.9

c. Contract Changes, 38 U.S.C. 1906

   1. Conversion to Endowment, 38 U.S.C. 1904

   2. Conversion to Endowment (antedated), 38 U.S.C. 1904

   3. Change to a Higher Reserve Value, 38 U.S.C. 1904

   4. Change to a Lower Reserve Value, 38 U.S.C. 1904

d. Change of Optional Settlement by Beneficiary, 38 U.S.C. 1917

***References:***

- 38 U.S.C. 1909 Effective Date of Insurance
- 38 U.S.C. 1909: Effective Date of Insurance
- 38 U.S.C. 1922 Legacy Service Disabled Veterans' Insurance
- 38 CFR 8.1 Effective date for an insurance policy issued under section 1922(a) of title 38 U.S.C. (Service-Disabled Veterans' Insurance)
- 38 CFR 8.7: Reinstatement of National Service Life Insurance Except Insurance Issued Pursuant to Section 1925 of Title 38 U.S.C
- 38 CFR 8.8 Health requirements
- 38 CFR 8.9: Application and Medical Evidence
- 38 U.S.C. 1906 Policy Provisions
- 38 U.S.C. 1904 Plans of Insurance
- 38 U.S.C. 1917 Insurance Maturing on or After August 1, 1946

## 1.14 CONVERSION TO AN ENDOWMENT PLAN OR CHANGE OF PLAN (NSLI)-QUESTION OF TOTAL DISABILITY

a. Where the question "Are you now disabled?" is answered yes without a complete and medically acceptable explanation, Policyholder Services should review VA systems for additional information. If this information is not sufficient to resolve all questions, the applicant will be requested to specify the nature and extent of the disability or submit additional medical information.

b. Where the developed evidence reflects disability, possibly total in degree, action as prescribed in paragraph 1.19 will be taken.

c. In all medical reject cases involving conversion to an endowment plan or change of plan when question of total disability is involved, the VCE must document within the Insurance System the appropriate debits for all non-service-connected conditions.

## 1.15 DETERMINATION OF TOTAL DISABILITY BY INSURANCE CLAIMS

a. Where an application for insurance under 38 U.S.C. 1922(a) is submitted with a VA Form 29-357, Claim for Disability Insurance Benefits, the eligibility and insurability of the applicant will be determined by Live Claims.

b. Where applications are submitted involving the question of total disability in connection with comparative health reinstatements, conversion to endowments, changes of plan, and applications for insurance under 38 U.S.C. 1922(a) with an endowment plan selected, all the necessary medical evidence will be obtained and developed to accurately evaluate and determine the applicant's general state of health as an insurable risk. If the developed evidence reflects disability possibly total in degree, the applications, with the exception of those listed below in subparagraph 1, will be referred to Live Claims for determination as to the existence of total disability:

   1. Where the evidence clearly discloses that the applicant is hospitalized for purposes of prolonged treatment, any applications for reinstatement, change of plan, or conversion to an endowment plan will be rejected without further development or referral to Live Claims. If the evidence discloses that the applicant may have been

totally disabled prior to lapse of his insurance, the case will be referred to Live Claims for a decision as to possible entitlement to waiver of premiums. (Hospitalization for purposes of observation, quarantine, or rest and period of trial visits from a hospital are not included in these instructions.)

c. If there is evidence that waiver of premiums has been terminated for failure to cooperate, the insurance records should be referred to Live Claims for a decision as to total disability. Termination of waiver of premiums for this reason does not necessarily mean that total disability no longer exists.

d. Where it is determined by Insurance Claims Section that the applicant is totally disabled and that there is an indication of probable entitlement to disability insurance benefits, the rejection letter will include language that "Reinstatement of your insurance cannot be granted because you failed to meet the health requirements. Your attention is invited to the fact that the policy provides for waiver of premiums in the event of 6 or more consecutive months of total disability commencing after the date of your application for insurance, while the insurance was in force under premium-paying conditions and prior to your 65th birthday. If you feel you meet these requirements, a claim for disability waiver of premiums may be filed." A VA Form 29-357 will be enclosed.

***References:***

- 38 USC 1912: Total Disability Waiver
- 38 USC 1922(a): Legacy Service Disabled Veterans' Insurance

*User Guides*

- SDVI Intake Process User Guide in VISION and LifePro, Page 23 (Waiver Determination)
- Waiver Application Process User Guide in VISION and LifePro

*Forms*

- VA Form 29-357, Claim for Disability Insurance Benefits

## 1.16 DEATH CASES

a. When medical action has not been completed prior to the applicant's death, the application will be processed in the regular manner, with the following additions and exceptions:

   1. Where the cause of death was due to a non-service-connected condition the case will be fully developed.

   2. The impairment or disorder on which a potential rejection of coverage is based must have existed on or prior to the date of application.

b. When an application is submitted, (formal or informal), health will be determined as of the date the application and premiums were submitted to VA.

## 1.17 CASES REFERRED TO THE ASSISTANT DIRECTOR FOR INSURANCE

### PROGRAM MANAGEMENT

As a general rule the following cases should be referred to Insurance Program Management for a review decision:

a. When unusual circumstances exist in which no case precedent has been established.

b. When a disease or illness is indicated which is not covered in the underwriting manual and the Assistant Director Insurance Operations considers that an opinion by the Assistant Director for Insurance Program Management is required.

***References:***

- M29-1, Part V, Chapter 2: Medical Underwriting Manual

## 1.18 APPLICATION MEDICALLY REJECTED

Applications for insurance coverage will be medically rejected if the applicant fails to meet the health requirements.

a. Applications will be medically rejected when:

   1. Medical evidence has been submitted but the applicant is not in the required state of health.

   2. The applicant is under prolonged treatment in a hospital.

   3. Conversion of NSLI (National Service Life Insurance) to an endowment or change of plan of NSLI has been requested by an applicant who is considered to be totally disabled.

   4. An endowment plan has been requested by an applicant who is found to be totally disabled.

   5. A non-service-connected disability prevents the applicant from meeting the good health requirements, even though there is a service-connected disability established.

b. When preparing the letter of rejection to the applicant, the reason for rejection should be stated in lay terms when possible. The source of the information on which the rejection is based will be disclosed to the applicant or their agent. (See M29-1, Part IV, Chapter 7) The medical standards on which the rejection was based such as the standards for hearing, vision, blood pressure, urinalysis, etc., will not be furnished the applicant.

   1. If the application is rejected because of hospitalization on the date of application, the applicant should be advised that VA does not permit acceptance of an application while the applicant is hospitalized for prolonged treatment of illness or injury and that he may reapply when he is no longer hospitalized and can meet the health requirements.

***References:***

- "Good Health" Requirements, 38 CFR Chapter 1; Part 8; §8.0: Definitions
- M29-1, Part IV, Chapter 7: Procedures If a Veteran/Claimant Disagrees with a Benefit Decision
- M29-1, Part V, Chapter 2: Medical Underwriting Manual

*Circulars & SOPs*

- SOP 29-20-020: Comprehensive Medical Underwriting

*Forms*

- VA Form 29-4364: Application for Service-Disabled Veterans Insurance
- VA Form 20-0998: Your Right To Seek Review Of Our Decision

*User Guides*

- SDVI Intake Process User Guide in VISION and LifePro, Page 18 (Medical Reject)

## 1.19 APPLICATION DISAPPROVED

a. Generally, applicants who do not respond within the prescribed period to a request(s) for additional evidence are considered to have failed to complete medical requirements and their applications are disapproved. However, if an applicant submits a complete application, accompanied by the required remittance, but does not respond to our first request for additional evidence, another attempt will be made to secure the information. Every effort should be made to obtain the necessary data in those cases where it is evident that the applicant is desirous of acquiring insurance protection.

b. The applicant may cancel or withdraw their application at any time prior to its effective date. If the application is incomplete and/or additional medical evidence has been requested, the applicant can cancel or withdraw their application in lieu of completing the additional requirements, even though the request for cancellation may be subsequent to the effective date.

c. An application for RH insurance will be disapproved where the evidence fails to establish the existence of a service-connected disability or where the applicant failed to submit his application within the prescribed period.

***References:***

- M29-1, Part IV, Chapter 7: Procedures if a Veteran/Claimant Disagrees with a Benefit Decision
- M29-1 Part V Chapter 2: Medical Underwriting Manual

*Circulars & SOPs*

- SOP 29-20-020: Comprehensive Medical Underwriting

*Forms*

- VA Form 29-4364: Application for Service-Disabled Veterans Insurance
- VA Form 20-0998: Your Right To Seek Review Of Our Decision

*User Guides*

- SDVI Intake Process User Guide in VISION and LifePro, Page 26 (Application Decision)

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### 1.01 JURISDICTION

The Insurance Death Claims section is responsible for the processing and adjudication of insurance claims for:

1. Proceeds of insurance matured by death of policyholders.
2. Unpaid amounts of matured endowments after death of insureds.
3. Unpaid amounts under total disability riders after death of insureds.

### 1.02 GENERAL RESPONSIBILITY OF PERSONNEL

All death claims received should be processed as expeditiously as possible. The general policy of the Death Claims activity is to give the claimant every opportunity to substantiate his or her claim, to extend all reasonable assistance in its prosecution, and to develop all sources from which information may be obtained. Information and advice to claimants will be complete and expressed in plain language which can be easily read and understood by persons not familiar with our terminology or subject matter.

### 1.03 FINALITY OF DECISIONS

Previous determinations on which an award was predicated, including decisions of questions of age, marriage, relationship, service, dependency, and other facts, will be accepted as correct in the absence of clear and unmistakable error or fraud.

## 1.04 INITIATION OF CLAIM

a. Upon receipt of the VA Form 29-4125, Claim for One Sum Payment, VA Form 29-4125a Claim for Monthly Payments, an informal claim to death benefits, or VA Form 29-541 Certificate showing Residence and Heirs, the Death Claims activity will take prompt action to determine if death benefits are payable.

b. If the insurance is payable to a competent adult, insured's minor widow, or minor emancipated as shown in Appendix B, a VA Form 29-4125 will be forwarded to such beneficiary at the latest address of record. (See ch. 3, par. 3.03.) Beneficiaries need not submit policies when making a claim.

***References:***

- M29-1, Part VI, Chapter 3, Section 3.03: Release of Notification Letter and Claim Forms and/or Tables for Monthly Payment to the Beneficiary

*Forms*

- VA Form 29-4125: Claim for One Sum Payment
- VA Form 29-4125a: Claim for Monthly Payments
- VA Form 29-541: Certificate Showing Residence and Heirs

## 1.05 TYPES OF AWARDS

a. An Original Award is the initial settlement to the beneficiary entitled to the insurance following the death of the insured.

b. A Supplemental Award is prepared when money in addition to the original death award must be paid, such as a liability received after settlement of an original award.

c. An Amended Award is prepared on an unpaid award when the information being changed or added affects the face amount of insurance payable, such as death of death discrepancies or returned dividend checks.

d. An Adjustment Award is prepared when:

   1. Assignment of installments certain after payments have commenced in options 2 through 4 settlements.

   2. Change in insured's age on a death award being paid under Option 3 or 4 when installments are still due.

   3. Beneficiary originally entitled to payment in one sum requests partial commuted value after payments have commenced.

4. Beneficiaries repay their share of indebtedness against the policy before their payments commence.

5. Change in share of payee.

6. Beneficiary comes in after settlement to change option.

7. The principal beneficiary is receiving installments under options 2 through 4 and the contingent beneficiary is entitled to commuted value.

e. A Commuted Value Award is restricted to those cases in which the payee on a running award requests the full commuted value of the remaining unpaid installments.

f. A Matured Endowment Award is prepared when the insured failed to survive any payments, and payment of the endowment proceeds will be made to his or her estate or beneficiary.

g. A Contingent Award is prepared when a beneficiary is entitled to unpaid installments following the death of the principal beneficiary and any prior contingent beneficiaries. (In the case of gratuitous insurance, a contingent award is also prepared when the insured's spouse remarries, as the remarried spouse is no longer eligible for payment under 38 USC 1922(b)(2).

***References:***

- 38 U.S.C. 1922(b)(2): Legacy Service-Disabled Veterans' Insurance

*User Guides*

- Procedures for Inviting Contingent Award in VISION and LifePro
- Procedures for Processing Surrender Request for Commuted Value without Actuarial Calculation Needed in VISION and LifePRO
- Procedures for Commuted Value when Actuarial Calculations are Required in VISION and LifePRO
- Procedures for First Notice of Death (FNOD) with Contingent Award in VISION and LifePro
- Establishing Payee for Contingent Award in VISION and LifePro
- Procedures on Authorizing a Pay Contingent Award in VISION and LifePro

## 1.06 CONFIDENTIAL NATURE OF INFORMATION IN INSURANCE RECORDS

Insurance records are confidential. Disclosure to individuals requesting information about the insured and/or beneficiaries will only be made as provided in M29-1, Part 1, Chapter 26.01 as well as in the Standard Operating Procedure.

***References:***

- M29-1, Part I, Chapter 26, Section 26.01: General

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### 2.01 GENERAL

a. Each BIRLS (Beneficiary Identification and Records Locator Subsystem) master index record contains an indication if a veteran has active inforce insurance. When such an indication exists, upon notice of death BIRLS will generate input to the insurance master records to report the veteran's death.

b. The master index record also contains an indication if an insurance liability record exists for a veteran or if the veteran had insurance which lapsed after November 1, 1968. If the insurance lapsed within 2 years prior to the date of death or if a liability account exists, a message is sent by the system to notify VA Insurance of the veteran's death.

c. There will be instances when the claim number furnished by BIRLS will be different from the one in the insurance master record. When this occurs, it will be the responsibility of the Administrative Division to resolve the discrepancy.

### 2.02 COMPUTER PROCESSING OF FORM 29-368d

a. Daily processing in the computer will cause status to be generated for each policy of the master record involved. Form 29-368d, Report of Status For Settlement of Death Claims, is generated for each account. The system will not complete the settlement information on Form 29-368d if any of the following conditions exist on any of the insured's policies:

1. There are pending transactions other than the XC-diary-or a disability waiver diary.

2. There is a freeze on any of the policies.

3. There is a loan, lien or other indebtedness and one or more of the following conditions exist:

   a) The last loan or lien processing date is on or after the date of death.

   b) The date of death is prior to the current year's loan or lien anniversary and interest for the current year has been capitalized.

   c) The date of death is subsequent to the current year's loan or lien anniversary and interest for the current year was not capitalized.

4. Dividend interest is added after date of death.

5. Reduced paid-up insurance with TDIP (Total Disability Income Provision) is in effect.

6. Insurance and TDIP how paid code and/or next month due are not the same.

7. Life and TDIP premium amounts are not equal to last transaction amount on payments by allotment or DFB (deduction from benefits).

8. No date of death shown on VA Form 29-5899, Request for Record Printout, or VA Form 29-8529, RPO/Reinstatement/Status.

9. Extended insurance period expired.

10. There is more than one reason code.

11. Effective date of insurance is after date of death.

12. Insurance is lapsed (61-day grace period expired).

13. Death occurred in the 31-day grace period and there are two monthly premiums due.

14. Last premium transaction date is after date of death.

15. Effective date of reduced paid-up or extended insurance is after date of death.

16. Dividend year in the master record is not the current dividend year. (Only current and settlement dividends are computed by the system in run 140.)

17. A dividend credit segment is on a fund except RH or H.

18. Allotment deductions are not 1 month in advance, 1 month in arrears or on the same date as the next premium due date.

19. Deduction from benefit payments are not 1 month in advance or on the same date as the next premium due date.

20. The disbursement pending indicator is on.

21. There is a paid-up addition and a dividend overpayment will result.

22. The claim number in the XC-diary differs from the claim number in the master record.

23. The date of death is more than 4 days before the policy anniversary date, and dividends have been used to purchase paid-up additions.

24. Date of death is over two years

    a) Identifying data, items 1 through 10, and items 11 and 12, if applicable, are completed on all Forms 29-368d. In addition to the identifying data, if the system determines that it can complete the settlement information, item 13, if applicable, and items 14 through 19, will also be included. When the settlement data are competed by the system, transactions are created to adjust the general ledger accounts, establish any liability, delete XC-diary, and delete the master record from tape. The batch designation for the input images is CB.

    b) When Form 29-368d is completed to show the identifying data only, or both the identifying data and settlement information, the following will apply:

        1) If an incompetent case, item 1 (Name) will be blank.

        2) If there is no beneficiary or option number on the master record, two zeros will be printed in the Year block in item 8.

## 2.03 CLERICAL ACTION-DEPENDENT ON HOW PAID CODE

a. Allotment/Deduction Accounts

    1. DFB-How Paid Code 3. Assume that deductions continued through the month preceding the month in which the insured died and establish next month due accordingly. Do not make such an assumption on loan payments. Deductions made on or after that date are automatically returned to VA.

    2. Allotment Accounts-How Paid Code 6. If deductions are from retired pay and a discontinuance of deduction has not been received, the allotment will be automatically returned to the Defense Finance and Accounting Service (DFAS).

    3. VAMATIC-How Paid Code 8. Any premium overpayments received via VAMATIC due to late reporting of insured's death will be paid as part of the death claim.

b. Waiver of Premiums

1. Section 1912 Waiver-How Paid Code 5. If the insured died while the insurance account was in force on section 1912 or 1948 waiver, the waiver will automatically be terminated by the system. If TDIP payments are being made and there is no overpayment of TDIP benefits, TDIP will be automatically terminated by the Insurance system. If TDIP payments are being made and there is an overpayment of TDIP benefits, the Insurance system will generate a task for the Claims Adjustment Technician (CAT) to adjust the award and stop the TDIP benefit.

c. Direct Pay Accounts-How Paid Code 9

1. If the last premium must be paid by dividend credits or by a deduction from the death settlement, the next month due will be changed to show that the premium(s) has been paid. The control accounts involved will be adjusted.

2. When calculating unearned premiums paid in advance, straight PV (present value) will be used regardless as to the method used when applied.

3. If a posting bears a postmark date after the date of death, and the award has not been processed, the premium overpayment will be become part of the award. If the award has been processed and the insurance deactivated, notice of refund must be processed off-tape to the person who submitted the check. If payment was made by the insured (automatic deductions from bank not stopped after death) enter the amount in item 14F on the Form 29-368d. If a third party was the remitter, a refund will be made to that third party regardless of the status of the account.

***References:***

- 38 U.S.C. 1912: Total Disability Waiver
- 38 U.S.C. 1948: Total Disability Provision

*User Guides*

- Waiver Application Process User Guide in VISION and LifePro

## 2.04 CLERICAL PROCESSING OF SYSTEM-PREPARED FORM 29-368d

a. Form 29-368d will be processed as expeditiously as possible by a CAT.

b. The CAT will review the XC-RPO and the electronic VA Form 29-368d to assure that the information shown is in agreement with the information contained in the insurance electronic record. If item 8 does not contain the latest B&O reference number, enter the latest B&O number in item 8.

c. When Form 29-368d is completed to show both the identifying data and settlement information, the CAT will:

1. Complete item 1 to show the insured's name if the item is blank.

2. Check for out-of-line situations. If no out-of-line situation exists, no additional audit will be necessary. When an out-of-line situation is detected, transaction history will be requested to assist in resolving the discrepancy.

3. When changes, corrections or additions to Form 29-368d with settlement information, items 14 through 19, are necessary, prepare a new Form 29-368d.

4. Enter a checkmark in the appropriate block in item 23.

5. Enter signature and date in items 25 and 26.

6. On allotment and deduction accounts, see paragraph 2.03.

d. When the Form 29-368d is completed to show only identifying data, items 10 through 28 will be completed as appropriate. See paragraph 2.05 for completion of these items.

## 2.05 OUTLINE FOR COMPLETING VA FORM 29-368d

When it is necessary to clerically prepare on complete items which have not been inserted by the system on a partially prepared Form 29-368d, the following will apply:

| | Item | Entry Required |
|---|---|---|
| 1. | Name | Insured's name. |
| 2. | Insurance File Number | Insurance file prefix and number. |
| 3. | Policy Number | Policy prefix and number on which Form 29-368d is being prepared. |
| 4. | Date of Death | Date of death. If date of death on VA Form 29-368d differs from death certificate, enter the correct date of death. |
| 5. | Originating Office | Enter PHILA. |
| 6. | VARO Number | Number of regional office having jurisdiction. |
| 7. | Method of Premium Payment | One of the following as applicable:<br><br>Direct<br>1948 Waiver<br>Allot.<br>DFB<br>712 Waiver<br>713 Waiver<br>Ext. Ins.<br>Red. Paid-Up<br>Paid-Up<br>Lapsed<br>Paid in Full |
| 8. | Bene. and Option No. | Latest reference number (reel number and year). If the insurance records indicate no B&O number, enter None. |

| | |
|---|---|
| 9. Claim File Number | Correct VA claim file number. If incorrect number is shown, enter the correct claim number. |
| 10. Insurance | If these items have been completed by the system, no action is necessary unless some adjustment is made on the RPO received with Form 29-368d. Check premiums paid to block to be sure it is completed. Exception: if on extended insurance leave blank. |

When preparing Form 29-368d manually, fill in all items in accordance with the following instructions:

| | |
|---|---|
| Amount | Amount of insurance in force on date of death.<br><br>If it has been surrendered for reduced paid-up insurance, enter amount of reduced paid-up. If policy is running under extended insurance, leave blank. |
| Effective Date | Month, day and year basic contract is effective.<br><br>If reduced paid-up insurance, enter month, day and year reduction is effective.<br><br>If policy is on extended insurance, leave blank. |
| Plan | Plan code. |
| Age | Insurance age.<br><br>If surrendered for reduced paid-up, enter attained age as of the date surrendered for reduced paid-up.<br><br>If on extended insurance, leave blank. |
| Amount of Premium | Insurance premium.<br><br>If reduced paid-up policy, enter 00.<br><br>If on extended insurance, leave blank. |
| Premiums Paid To | Enter the actual next premium due date on all accounts where proceeds are payable, although this date may be a number of months beyond the date of death. The amount of any premiums and/or credits to be refunded will be entered in item l4F.<br><br>If the last premium must be paid by dividend credit, or by a deduction from settlement, enter the next month due to show the premium is paid and adjust the control accounts involved. The amount of premium to be collected from settlement will be |

| | |
|---|---|
| | entered in item 16C.<br><br>If premiums are being paid by deduction from benefit payments, allotment from retired service pay, and the premiums are paid 1 month in advance, enter the premium due date following the date of death. Any unearned premium will be shown in item l4F.<br><br>EXAMPLE: Insurance effective April 24, 2015; monthly premium $7.20; DFB established effective March 1, 2015, at $7.20. Insured died June 9, 2018. In the Premiums Paid To block, show June 24,2018. In item 14F, show $7.20.<br><br>If section 1913 waiver, enter the first premium due after date of death.<br><br>If the date of death is presumptive, copy the next month due shown on RPO, even if that date is beyond the presumptive date of death.<br><br>If the account is on extended insurance, leave blank.<br><br>If surrendered for reduced paid-up insurance enter Red. Paid-Up.<br><br>For limited pay accounts that were active upon reaching the end of the premium-paying period, enter Paid in Full.<br><br>If paid-up additions only, enter Paid-Up.<br><br>If the account is lapsed, enter the date of lapse. |
| 11. Master Record Claim Number | Enter the correct VA claim number. If the incorrect VA claim number is shown, line through this number and enter the correct VA claim file number. If a number has not been entered by the system leave blank. |
| 12. TDIP Information | If TDIP is involved and all items have been completed by the system, no action is necessary unless some adjustment is made on the RPO received with the VA Form 29-368d. BE SURE PREMIUMS PAID TO BLOCK IS COMPLETED. |

If items involving TDIP are to be manually inserted, the following will apply:

| | |
|---|---|
| Amount | TDIP amount. |
| Effective Date | Month, day and year TDIP is effective. |

| | |
|---|---|
| Plan | Appropriate code to indicate NSLI $5 or $10 rider:<br>1-$5 rider.<br>2-$10 rider.<br>3-$5 and $10 rider.<br><br>USGLI, leave blank. |
| Age | TDIP age. |
| Amount of Premium | TDIP premium. |
| Premiums Paid To | Follow instructions as outlined for insurance premiums.<br><br>The amount of any TDIP premiums to be refunded will be entered in item 14G. Any amount of TDIP premiums to be collected from settlement will be entered in item 16D. |
| 13. Extended Term Insurance | If the account is on extended insurance and these items have not been inserted by the system, complete as follows: |
| Amount of Insurance | Amount of extended insurance as shown on RPO. |
| Attained Age | The attained age is computed as follows: |

| | |
|---|---|
| Lapse Date | (month and year) |
| minus (-) | Effective date (month and year) |
| plus (+) | Age at issue |
| equals (=) | Attained age. |

EXAMPLE:

| | Year | Month |
|---|---|---|
| Date of Lapse | 2018 | 7 |
| Effective Date | -2005 | -2 |
| | 13 | 5 |
| Age at Issue | + 33 | |
| Attained Age | 46 yrs. | 5 mos. |

| | |
|---|---|
| Expiration Date | This date will be obtained from the action date block on the RPO, or from Form 29-389c, Notice of Extended Term Insurance. |

| | |
|---|---|
| Settlement Information | If one or more of the entries in items 14 through 19 discloses incorrect information, prepare an amended Form 29-368d. DO NOT CHANGE SETTLEMENT INFORMATION ON THE SYSTEM-PREPARED FORM.<br><br>Do not complete any settlement information if the date of death is presumptive, or if the account involved is a matured endowment on which installments are being paid. |
| 14. Debits | These items should reflect all amounts to be included in the settlement before collection of any amounts due the VA. |
| A. Face Amount-Basic | If the policy is in force under premium-paying conditions on the date of death, enter the face amount of the policy.<br><br>If the policy is running extended insurance, or if reduced paid-up insurance is in force on the date of death, enter the amount of extended or reduced paid-up insurance, as applicable. |
| B. Paid-Up Whole Life (38 U.S.C. 1907) | Enter amount of paid-up whole life.<br><br>If the date of death is prior to the day on which the system created or added the dividend to purchase paid-up additions, the amount of paid-up additions purchased will be canceled and the amount of dividend entered in item 14.<br><br>If the dividend has not been authorized and the date of death is on or after the day on which the system should have created or added paid-up additions, the dividend will be authorized and used to purchase paid-up additions. The amount purchased will be added to any existing paid-up additions and the total amount entered in item 14B or 14C as applicable. |
| C. Paid-Up Endowment (38 U.S.C. 1907) | Enter amount of paid-up endowment. (See item 14B above if adjustment is necessary.) |
| D. Dividend Credit<br>Dividend Deposit | If the date of death is prior to the policy anniversary date and interest has not been capitalized, enter the dividend credit and/or deposit balance as shown on RPO.<br><br>If the date of death is prior to the policy anniversary date and interest has been capitalized, adjust the dividend credit and/or deposit balance by subtracting the amount of interest capitalized by the system from the amount shown as the balance on the RPO. Enter the adjusted dividend credit and/or deposit |

| | |
|---|---|
| | balance.<br><br>If there is no dividend credit and/or deposit balance, leave blank.<br><br>Prepare the appropriate DOC inputs to authorize unpaid dividends. |
| E. Interest on Dividend Credits Deposits | If the date of death is prior to the policy anniversary date and interest has not been capitalized, calculate the interest from the policy anniversary date preceding the date of death to the date of death. Enter the amount of interest.<br><br>If the date of death is prior to the policy anniversary date and the dividend credit and/or deposit interest has been capitalized, subtract the interest that was capitalized from the dividend credit and/or deposit balance shown on the RPO. Compute the interest on the adjusted dividend balance from the last policy anniversary date to the date of death. Also, include the accumulated interest, if any. Enter the amount of the adjusted interest. If none, leave blank. |
| F. Insurance Premiums Refunded | Enter total amount of unearned life insurance premiums and/or overages.<br><br>Include payment postmarked after the date of death, if payment was made by the insured or principal beneficiary and insurance was in force on date of death.<br><br>DFB deductions made on or after date of death must be returned to the regional office and-will not be included.<br><br>NOTE: Do not include third-party remittances.<br><br>If the account is lapsed, do not enter premium overages under $25 unless other credits (i.e., dividends) bring the total up to $25. If all credits total $25 or more, enter credits only.<br><br>If there are no unearned premiums or overages, or if date of death is presumptive, leave blank. |
| G. Total Disability Premiums Refunded | Enter total amount of unearned TDIP premium, if any. If there are no unearned TDIP premiums, leave blank. |
| H. Settlement Dividend | Enter the amount of settlement dividend due. |

| | |
|---|---|
| | Dividend paid for months on extended insurance are calculated to (not through) calendar month of death. |
| I. Dividend for Yr. 19 | Compute and enter the amount of any dividend due on or before date of death but not paid. Use<br><br>Dividend Control Account Number(s) 45, 47, 49 and/or 56, as appropriate. Identify each amount by entering appropriate year after 19.<br><br>Dividends paid for months on extended insurance calculated to (not through) calendar month of death. If account is inactive, do not enter unpaid dividends less than $25 unless other refundable credits on the account bring the total to $25. |
| J. and K. | Enter code number(s) and amount(s) of any additional payments to be included in the award, such as Liability (09), etc. If control account 09 is used, the source of the money must be identified; i.e., premium refund (returned check). |
| 15. Total Debits | Enter total of item 14A through K. |
| 16. Credits | These items should reflect the amount to be deducted before payment is made to the beneficiary(ies). |
| A. Policy Loans | If the date of death is prior to the loan anniversary date and interest has not been capitalized, enter the loan balance as shown on the RPO.<br><br>If the date of death is prior to the loan anniversary date and interest has been capitalized, adjust the loan balance by subtracting the amount of interest capitalized by the system from the balance of the loan shown on the RPO. Enter the adjusted loan balance.<br><br>If no loan, leave blank. |
| B. Interest on Loan | If the date of death is prior to the loan anniversary date and interest has not been capitalized, calculate the interest from the last anniversary date preceding the date of death to the date of death. Enter the amount of interest.<br><br>If the date of death is prior to the policy anniversary date and the loan interest was capitalized, subtract the interest that was capitalized from the loan balance shown on the RPO. Compute the interest on the adjusted loan balance from the last anniversary date to the date of death. Also, include accumulated |

| | |
|---|---|
| | interest, if any. Enter the amount of adjusted interest.<br><br>If none, leave blank. |
| C. Insurance Premiums Due VA | Enter the total amount of insurance premiums and/or shortages to be collected from the settlement.<br><br>If there are no shortages and no premiums to be collected, leave blank. |
| D. Total Disability Premiums | Enter the total amount of TDIP premiums which are due VA, but not paid. |
| E. Administrative Lien | If the date of death is prior to the lien anniversary date and interest has not been capitalized, enter the lien balance as shown on the RPO.<br><br>If the date of death is prior to the lien anniversary date and interest has been capitalized, adjust the lien balance by subtracting the amount of interest capitalized by the system from the balance of the lien shown on the RPO. Enter the adjusted lien balance.<br><br>If no lien, leave blank. |
| F. Interest on Adm. Lien | If the date of death is prior to the lien anniversary date and there is interest due but it has not been capitalized, calculate the interest from the last anniversary date to the date of death. Enter the amount of interest.<br><br>If the date of death is prior to the lien anniversary date and interest was capitalized, subtract the interest that was capitalized from the lien balance shown on the RPO. Compute the interest on the adjusted lien balance from the last anniversary date to the date of death. Also, include accumulated interest, if any. Enter the amount of adjusted interest.<br><br>If none, leave blank. |
| G, H and I | Enter code number(s) and amount of any additional deductions to be made from settlement. |
| 17. Total Deductions | Enter total of item 16A through I.<br>If none, leave blank. |

| | |
|---|---|
| 18. Matured Contracts Payable | Enter the sum obtained by deducting the entry in item 17 from the entry in item 15. Insert the ADP account number, if not printed on form. |
| 19. Total Credits | Enter total of items 17 and 18. (This amount must be the same as the total shown in item 15.) |
| 20. Voucher No. | Leave blank except for supplemental or amended Form 29-368d. |
| 21. Remarks | The Notes area is provided on the 29-368d to enter any notes or comments pertinent to the case.<br><br>Examples of what to include in the Notes area are:<br><br>· Any calculations performed (e.g., interest on loan)<br><br>· Any reasons why an action was reversed (e.g., changing the date of death)<br><br>· Any actions deemed important for future |
| 22. Reference | Check appropriate block-Initial, Supplemental or Amended Award. |
| 22. Prepared by | Enter initials and last name. |
| 23. Date | Enter current date on which form is prepared. |
| 24. Approved by | Reviewing official will enter his/her initials, last name and title. |
| 25. Date | Reviewing official will enter date of review. |

***References:***

- 38 U.S.C. 1907: Payment or Use of Dividends

## 2.06 PREPARATION OF INPUT DOCUMENTS

a. If an uncollectible item is involved, prepare transaction type 063 or 067, as appropriate, to update the premium and/or TDIP segment; Dividend-Loan-Lien, transaction type 065 or 066 to update the optional segment; transaction type 068, to delete the pending transaction.

b. Prepare transaction type 083, to change the next month due in the master record, if necessary, and change the how paid code to l. Remove overages and/or unearned premiums or pay shortages and required premiums as necessary. The next month due should be no later than the due date following the date of death. If using control account 52 on this transaction, do not assign XB batch number.

c. Prepare transaction type 087 to change the next month due on the TDIP in the master record, if necessary, and change the how paid code to 1. If using control account 52 on this transaction, do not assign XB batch number.

d. Prepare transaction type 006 when necessary to establish a lien for premium or insurance overpayment.

e. Prepare transaction type 084, 085 or 086, when it is necessary to close out lien, loan, or dividend accounts.

   1. Loan payments postmarked after the date of death, mailed by a third party, are acceptable. See 2.03(c)(3)

   2. Charge interest on loans and liens to the date of death.

f. Prepare transaction type 098, to delete any pending transaction(s).

g. Prepare transaction type 099 to complete accounting transactions (balance miscellaneous transaction control) and delete the policy from the master record. When more than one input for accounting is required, use transaction type 089 with reason code 07 and reason code 04 with transaction type 099.

***References:***

- M29-1, Part VI, Chapter 2, Section 2.03(c)(3): Clerical Action Dependent on How Paid Code

## 2.07 ACTIONS FOLLOWING PREPARATION OF FORM 29-368d

a. If a death certificate and claim form are not yet in the VA Insurance System, the Claims Examiner will send the appropriate letter and forms to the designated beneficiary(ies).

b. ADE inputs should be prepared to pay the award after the 29-368d is processed and all required documentation to authorize payment of the claim is received.

## 2.08 SUPPLEMENTAL AND AMENDED FORMS 29-368d

a. Supplemental Forms 29-368d

   1. When a discrepancy which does not affect the basic contract information or the loan or lien interest amounts is disclosed after the Form 29-368d has been processed, a supplemental Form 29-368d will be prepared. This usually involves additions of refundable credits (unearned premiums, dividends, unapplied remittances, etc.) and liens. The appropriate block will be checked in item 24.

   2. Where the account was active at the time of death and a posthumous request for waiver decision has been approved, process as follows:

      (a) Prepare a supplemental Form 29-368d for the refund due for the waiver period. The appropriate Doc(s) will be completed to debit control account 58 and credit

control account 32 on non-reimbursable cases, or debit control account 59 and credit control account 32 on reimbursable cases for the amount of insurance premiums for the waiver period. The XC-number, number of months waived, monthly premium and total amount transferred will be noted in the appropriate Doc.

3. When preparing a supplemental Form 29-368d to refund additional credits, complete the identifying contract information and, in addition, the settlement information as follows:

   (a) Insert the amount of the refundable credit in item 14, properly identified as to the fund to be debited.

   (b) Where the credit being refunded has been located in the liability file (undeliverable payments and payments due, account 09, identify the item as liability. Also show ADP account number 09, and the amount.

   (c) Enter the total amount of the refund in item 15. Do not complete item 16,17, 18, or 19.

4. When TDIP monthly payments have been authorized after the death of the insured:

   (a) Under item 14J, Debits, insert TDIP and enter total amount payable in the Amount column.

   (b) The following statement will be entered in item 18, Remarks:

   TDIP payments due $_____per month from (date) through (date)

5. When preparing a supplemental Form 29-368d to establish an overpayment (accounts receivable), the settlement information will be completed as follows:

   (a) The amount of the overpayment will be inserted in item 16. It will be properly identified as to the account number and the fund to be credited. The reason for overpayment will be noted in item 24 with the added notation, Accounts Receivable To Be Established.

   (b) Enter the total amount of the overpayment in item 17. Do not complete item 18 or 19.

b. Amended Forms 29-368d

1. An amended Form 29-368d will be prepared when the information affects the face amount of insurance payable. This usually involves a change in the basic contract information (inactive to active, etc.), or a change in amounts to be collected out of the settlement for loan and loan interest. The appropriate block will be checked in item 24, Remarks.

2. The present status of the account will be shown on the amended Form 29-368d. The information changed and reason for change will be entered in item 24.

3. When there is a change in control accounts (debit item processed), prepare the appropriate Doc.

4. A voucher number will be assigned to the supplemental or amended Form 29-368d.

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## Part VI Chapter 3 - Release of Letters and Related Forms to the Beneficiary


| Subsection | Name |
|---|---|
| 3.01 | General |
| 3.02 | Release of Initial Notification Letter/Claim Form for Lump Sum Payment |
| 3.03 | Release of Notification Letter and Claim Forms and/or Tables for Monthly Payment to the Beneficiary |


**Publication Date:** March 19, 2020

### 3.01 GENERAL

a. When a VA Form 29-4125, Claim for One Sum Payment, and a copy of death certificate are not received after VA Insurance received notification of the Veterans death and the 29-368d is generated, an appropriate letter will be released to the designated beneficiary(ies) of record when such designation is clear. When there is more than one beneficiary, a letter will be sent to each one.

b. The following type cases are exceptions to (a) and:

   1. The insured's death was homicidal.

   2. Contingent award case.

   3. Permanent and total and abeyance cases (USGLI).

   4. A minor is named as beneficiary.

   5. It appears payment will be contested.

   6. Possible fraud.

   7. There is a section 304, 305 or 306 lien on the policy.

   8. Missing body case.

   9. There is a question regarding the testamentary capacity of the insured at the time the last designation was made.

10. Any case in which there is any ambiguity.

11. Multiple beneficiaries, unequal shares and/or multiple options.

c. If the insured named two or more beneficiaries and did not indicate an amount payable to each, indicated a full amount to each, or did not indicate the order of preference, it will be presumed that a joint designation was intended. If the beneficiary designation is shown as:

Thomas E. Smith-Father

Joanne E. Smith-Mother

***or***

Angela T. Jones-Wife $10,000

Louise B. Jones-Stepdaughter 10,000

*Each beneficiary would receive equal shares of the insurance with rights of survivorship. The presumption is not conclusive and may be rebutted by other evidence of record, or evidence submitted at the point of claim.*

d. If the insured made the following designation:

(1) Miss Janet J. Jones, Sister - $10,000

(2) Mrs. Myron M. Moore, Mother - $10,000

*The action of the insured in inserting the numbers (1) and (2) before the names of his or her sister and mother, will be considered, in the absence of other evidence, as a designation of his or her sister as principal beneficiary and his or her mother as contingent.*

e. If the insured did not select an optional settlement, a letter and form will be released to the beneficiary stating we are paying lump sum.

***References:***

*Forms*

- VA Form 29-4125: Claim for One Sum Payment

*User Guides*

- Procedures for Inviting Contingent Award in VISION and LifePro

## 3.02 RELEASE OF INITIAL NOTIFICATION LETTER/CLAIM FORM FOR LUMP SUM PAYMENT

a. Individual or Next Best Beneficiary.

1. Once the Claims Technician (CT) or Veterans Claims Examiner (VCE) receives a death claim workflow task in VA Insurance systems, an invite is generated, which consists of (1) a letter notifying the beneficiary of the death benefit he or she is entitled to and (2) a claim form for completion. The letter also asks the beneficiary to provide a photocopy of the insured's death certificate. Once the CT or VCE completes the letter, the "invite" associated with that task is automatically removed from the task list in VA Insurance systems.

2. If a claims form is not received from the beneficiary within 45 days of the call-up date on the unpaid award, the VA Insurance system will send automatic follow-up messages to a CT or VCE every 45 days. The CT or VCE must attempt to follow up with the beneficiary by phone and inquire whether or not he or she will accept the "invite" for payment on a death claim. If the CT or VCE cannot contact the beneficiary by phone, they will attempt to find better contact information for the beneficiary through VA or web-based systems. A follow up-letter should only be sent if the beneficiary cannot be reached by phone or if the beneficiary requests it during the phone contact. If the VAIC is unable to contact the beneficiary within two years of the date of death, the CT or VCE will determine the Veteran's next best beneficiary and attempt to contact them; if there is no other beneficiary, the VAIC will not pay out the death benefit until they receive a response. Refer to existing Standard Operating Procedures.

3. When the CT or VCE receives a death claim on an ad-hoc basis, he or she ensures that the beneficiary signed the beneficiary claims form and provided a completed death certificate, as well as direct deposit information. For minor beneficiaries, a Field Examiner (FE) must review and appoint a guardian. The VCE verifies the insured's SSN and name on the death certificate and enters the insured's date of death, payment option type (lump sum vs. payments over time), direct deposit information, and beneficiary's address into the Awards Data Entry (ADE) screen in VA Insurance systems. If the entered date of death is different from the FNOD date of death on file, an alert pops up in VA Insurance systems, and the VCE must further investigate the information. The VCE also determines if the cause of death needs additional development. The VCE authorizes the death claim directly in VA Insurance systems, which routes the claim to the VA Internal Controls Staff for review. Refer to existing Standard Operating Procedures.

4. If the VAIC receives a death claim that is ten months or older, they process the death claim the same way as a typical death claim, except VA Insurance systems automatically know when it has been over ten months since the insured's date of death and will forward the claim to a Claims Supervisor for a second level of review. The Claims Supervisor must enter a note of his or her authorization within the VA Insurance systems. The Claims Supervisor then routes the claim to the VA Internal Controls Staff. The secondary level of review allows the VA to detect potentially erroneous death claims.

b. Trusts

1. The Claims Adjustment Technician (CAT) and CT will release the initial invite letter when a trust and/or trustee is the designated principal beneficiary. The letter will be sent directly to the trustee (including financial institutions) if the trustee's name and address are provided in the beneficiary designation; otherwise, it will be released to the "next-of-kin" at the insured' s address of record.

2. If the beneficiary designates a "trust under will" or "trust under agreement," additional documentation stating the name of the trust in the will or agreement will need to be requested.

c. Old Designations

1. If the last designation is more than 50 years old and names the Veteran's parent(s), the CT will send the invite letter to the parent(s) only if the parent(s) or the representative of the parent(s) reported the Veteran's death. If the FNOD originated from someone else, the CT will contact the person who reported the FNOD and. provide all possible settlement requirements.

2. If the FNOD report is not of record, the CT will send a claim letter to the Veteran's next of kin.

d. FNOD Notification for Cases with Uncashed Dividend Checks

1. If the dividend check is returned with the completed claim form, the CT will:

   a) Image the check and associate with the electronic record.

   b) Prepare a supplemental 368d and adjust the Matured Contract Payable (MCP) via transaction type 262 prior to authorizing payment.

   c) Forward the dividend check to the Agent Cashier.

e. Unclear Date of Death

When a notice of death is received, but the exact date of death is not provided, the VCE will attempt to locate the correct date of death using VA systems and online resources. A will be released a requesting the exact date of death only if VA systems and online resources are not able to confirm the exact date.

f. Follow-Up Actions

For pending settlement cases over 45 days old, VCE's should refer to the procedures outlined in Standard Operating Procedures.

***References:***

*SOPs and Circulars*

- SOP 29-20-001: Guidelines for Processing Dormant Accounts
- SOP 29-20-010: Making Accounts Dormant During Telework
- SOP 29-18-009: Acceptable Proof of Death

## 3.03 RELEASE OF NOTIFICATION LETTER AND CLAIM FORMS AND/OR TABLES FOR MONTHLY PAYMENT TO THE BENEFICIARY

a. When VA Form 29-4125 (Claim for lump sum payment) is received from the latest beneficiary of record, and the insured selected a monthly installment option for payment, the VCE will take the following actions:

1. The VCE will send a letter advising the beneficiary of the optional selection and enclose VA Form 29-4125A and the rate table for the option selected. The letter advises them that VA Insurance can issue payment in a lump sum if they submit a copy of the insured's last will and testament or other documentation indicating that the insured wanted the proceeds of the estate/inheritance to be paid as lump sum. This documentation does not need to specify insurance.

2. If the beneficiary does not respond to the letter, the VCE will use the listed option and installments on the B&O and pay using the lump sum claim form (the DOB is on the form, which is really all we need).

b. When an FNOD is received with no subsequent claim and the insured selected a monthly installment option for payment, the VCE will take the following actions:

1. The VCE will send a letter advising the beneficiary of the optional selection and enclose VA Form 29-4125A and the rate table for the option selected. The letter advises them that VA Insurance can issue payment in a lump sum if they submit a copy of the insured's last will and testament or other documentation indicating that the insured wanted the proceeds of the estate/inheritance to be paid as lump sum. This documentation does not need to specify insurance.

2. If the beneficiary does not respond to the letter, the VCE must attempt to follow up with the beneficiary by phone. If the VCE cannot contact the beneficiary by phone, they will attempt to find better contact information for the beneficiary through VA or web-based systems. A follow up-letter should only be sent if the beneficiary cannot be reached by phone or if the beneficiary requests it during the phone contact.

***References:***

*Forms*

- VA Form 29-4125: Claim for One Sum Payment
- VA Form 29-4125a: Claim for Monthly Payments

*User Guides*

- Procedures for First Notice of Death (FNOD) in VISION and LifePro
- Procedures for First Notice of Death (FNOD) with Overpayment in VISION and LifePro
- Procedures for Inviting Contingent Award in VISION and LifePro

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## Part VI Chapter 4 - Processing Notices of Death Other Than Routine


| Subsection | Name |
|---|---|
| 4.01 | Erroneous Notices of Death |
| 4.02 | Presumptive Date of Death |


**Publication Date:** March 19, 2020

### 4.01 ERRONEOUS NOTICES OF DEATH

1. The phrase "XC In-Error" is a term that is used to describe the reporting of the death of an insured who is not deceased. This triggers VA Insurance systems to enter a Date of Death (DOD) on the insured's electronic record. Once a DOD is displayed all action on the insured's record is stopped. This means payments or benefits are no longer released. Some common reasons why XC In Errors occur are:

   a. Similar name, SSN or Claim Number to another electronic insurance record.

   b. The death certificate was inadvertently imaged under the wrong electronic insurance record.

   c. The insured reported to Social Security Administration (SSA) that his/her spouse passed away and SSA entered the death into their system as the insured's record.

2. Insureds notify VA Insurance of XC In Error through telephone calls or correspondence. When notification is received a "Possible In-Error" workflow task in generated. A review of the record is required to confirm that the insured is alive.

   a. When correspondence or other evidence is received indicating that a notice of death was in error, a letter of apology (if a claim was invited) will be released to the insured. The letter will also give the insured the status of his or her account.

   b. The Lead Claims Adjustment Technician (LCAT) will:

      1) Reestablish the insurance account to its original status by using the Deactivated RPO. The Deactivated RPO shows each segment of the record prior to the DOD processing. The information from the RPO is necessary to restore the policy.

         a) VAIC will not restore a policy that was previously disapproved, matured, auto-surrendered due to the loan balance or was cash surrendered by the insured.

      2) Insert a new policy or restore an existing one using the INSR screen. Users should select "INSR Other" on the Data Entry Menu to restore a policy.

      3) Send the INSR to Internal Control (293) for verification.

4) Complete all DOC inputs to restore the policy.

5) Delete the pending award.

6) Delete the date of death from the record.

   a) If other VA systems still show the date of death for the insured, notify the Imaging and Clerical Support Supervisor, who will remove the date of death from other VA systems.

7) Release a letter to the insured.

8) Send case to the Live Claims Section to reinsert the waiver diary, if appropriate.

9) Re-establish the deduction from benefits or allotment, if applicable.

10) Send to Special Services in 292 if premiums are paid via direct pay or PADS to establish a lien for any missing premiums.

***References:***

*User Guides*

- Procedures on Restoring an XC in Error in VISION and LifePro

## 4.02 PRESUMPTIVE DATE OF DEATH

1. When a presumptive date of death is shown on the notice of death, the Claims Examiner will not insert the normal XC-diary into the system. The case will be held pending until the actual date of death is received. The insurance record will not be marked XC until the actual date of death is received.

2. See M29-1, Part VI, Chapter 15 or Standard Operating Procedures for additional information on processing presumptive death cases.

***References:***

- M29-1, Part VI, Chapter 15: Proof of Death

*Circulars & SOPs*

- SOP 29-18-009: Acceptable Proof of Death

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## Part VI Chapter 5 - Awards – Original, Amended, Adjusted, Supplemental, and Running Award Maintenance Actions


| Subsection | Name |
|---|---|
| 5.01 | General |
| 5.02 | Award Processing |
| 5.03 | Processing Change of Name and Address of Payee |
| 5.04 | Processing Payment Changes |


**Publication Date:** March 19, 2020

### 5.01 GENERAL

a. All insurance death awards are processed through the Awards Data Entry (ADE) system. ADE automatically generates a death claim award in the VA Insurance system, with the exception of a manual award, for each policy on the master record. For a manual award, the Veterans Claims Examiner (VCE) will need to recreate the entire policy prior to ADE processing the death award.

b. Manual awards are generated because one of the following (23) policy/account conditions exists:

   1. There are pending transactions other than the death claim (XC) diary or the disability waiver diary.

   2. There is a freeze on any of the policies.

   3. There is a loan, lien, or other indebtedness and one or more of the following conditions exist:

      a) The last loan or lien processing date is on or after the date of death.

      b) The date of death is prior to the current year's loan or lien anniversary and interest for the current year has been capitalized.

      c) The date of death is subsequent to the current year's loan or lien anniversary and interest for the current year was not capitalized.

   4. Dividend interest is added after date of death.

   5. Reduced paid-up insurance with TDIP (Total Disability Income Provision) is in effect.

   6. The Insurance and TDIP how paid code and/or next month due are not the same.

7. The Life and TDIP premium amounts are not equal to last transaction amount on payments by allotment (ALT) or DFB (deduction from benefits).

8. There is no date of death shown on VA Form 29-5899, Request for Record Printout, or VA Form 29-8529, RPO/Reinstatement/Status.

9. The Extended insurance period has expired.

10. There is more than one reason code.

11. The effective date of insurance is after the date of death.

12. The Insurance is lapsed (61-day grace period expired).

13. The death occurred in the 31-day grace period and there are two (2) monthly premiums due.

14. Effective date of reduced paid-up or extended insurance is after date of death.

15. Dividend year in the master record is not the current dividend year. (Only current and settlement dividends are computed by the system in Run 140.).

16. A dividend credit segment is on any fund except RH or H.

17. Allotment deductions are not one (1) month in advance, one (1) month in arrears, or on the same date as the next premium due date.

18. Deduction from benefit (DFB) payments are not one (1) month in advance or on the same date as the next premium due date.

19. The disbursement pending indicator is on.

20. There is paid-up additions (PUA) and dividend overpayment will result.

21. The claim number in the XC diary differs from the claim number in the master record.

22. The date of death is more than four (4) days before the policy anniversary date and dividends have been used to purchase paid-up additions (PUA).

23. Date of death is over two (2) years (Refer to Lead Claims Assistant –GS 7).

c. Awards maintenance actions on running awards are processed through ADE and other Insurance Systems.

## 5.02 AWARD PROCESSING

a. Pending Award Actions

1. Insurance master records which are deleted from the inforce master record due to death (XC Award Screen) or matured endowment (ME Screen) will automatically cause an insurance award pending master record to be established.

2. An award pending master record is also created when a first notice of death is received on the beneficiary/payee receiving the insurance benefits, who dies during the guaranteed period of a running installment award.

3. An award pending master record will include a record of all the active policies at the time of death or maturity for an insured, before an award is made. It includes all of the necessary settlement information, including the unawarded shares remaining.

4. There will be an award screen for each policy.

5. The award pending master record is automatically deleted when all shares have been awarded to one or more payees.

6. Award adjustments are necessary when a pending award exists and new information is received that will affect the amount of the award payable.

   a) New information can include situations where a different date of death is shown on the death certificate (from what was reported), a government check is returned, a liability is created on the account, a personal check (loan or premium payment) is received. Any item received that can affect the amount payable will require reevaluation of the policy to determine how much, if any, adjustment is required.

b. Award Master Record Actions

1. When an award is entered into the system and is matched with an award pending master record, the system establishes an award master record.

2. An award master record contains all of the recurring monthly insurance payments being made, as well as payment data relevant to those beneficiaries who received lump sum payments.

3. An award master record generally includes all awards for which one payee is receiving payments.

4. The amount of payment, lump sum or monthly, is calculated by the system.

5. The initial disbursement includes all payments due up to the date of disbursement.

6. An award statement and screen are prepared by the system.

c. Awards Data Entry System

1. The following information needs to be entered on the ADE screen to pay an award:

   a) Date of death

   b) Award payment option (if Option 2 is chosen, an additional window will open asking for the number of months; if Option 3 or 4 is chosen, an additional window will open asking for the beneficiary's date of birth)

   c) Shares (either all or a fraction)

   d) Beneficiary's name

e) Beneficiary's address (if the beneficiary has the same address as the insured veteran, then select Insured Address (Addr) and the insured's address will automatically be populated)

f) Social Security number, if award payment Option 3, 4, or electronic fund transfer (EFT)

g) Transit routing number and account number only if award is to be paid through EFT (also select Checking or Savings)

2. The payee number and the remaining shares are automatically entered by the system.

3. When there are multiple beneficiaries, make sure to use an ADE screen for each beneficiary.

4. The remaining unpaid shares (awards that are not ready to be paid yet) will automatically go to the Pending area as a call-up assignment. The case will remain in the Pending area until the call-up date (30 days), until new mail comes in, or until any outstanding issues are resolved.

d. Supplemental and Amended Award Actions

1. Supplemental and Amended Awards occur when funds have been returned to VA or conflicting or discrepant data is received after payment of the original award.

***References:***

*User Guides*

- Procedures for First Notice of Death (FNOD) in VISION and LifePro
- Procedures for First Notice of Death (FNOD) with Overpayment in VISION and LifePro

## 5.03 PROCESSING CHANGE OF NAME AND ADDRESS OF PAYEE

a. Name and Address Changes

1. ADE is used to process address changes for Insurance award payees using the Name/Address Menu. The Claims Technician (CT) or Insurance Specialists in the Veterans Insurance Phone Section should check the payee number and Stub name in the menu to ensure updating of the proper payee's record.

2. If a fiduciary is involved, refer the case to the VCE for review and processing.

***References:***

*User Guides*

- Name and Address Guide in LifePro
- Procedures on Processing VETSNET Writeouts in VISION and LifePro

## 5.04 PROCESSING PAYMENT CHANGES

a. Stop Payments

1. Monthly payments to the payee are stopped using TT344 (TDIP only) or TT343 (all other award types) for the following reasons (codes listed):

   a) Award freeze by the system.

   b) Miscellaneous stop.

   c) Surrender for commuted value by the principal beneficiary – applies to option 3 or 4 death award.

   d) Death within the guaranteed period.

   e) Remarriage of the widow or widower – remaining installments paid to the contingent (AN, AI, ARH).

   f) Recovery (disability awards) or payment ceases.

   g) T&P abeyance case.

   h) Matured endowment payments completed and TDIP continuing. For TDIP awards only, this field is not used.

2. The CT or Insurance Specialists in the Veterans Insurance Phone Section process stop payment actions.

b. Suspend Payments

1. Running awards are suspended using TT380 ("frozen") for various reasons, including:

   a) Returned check

   b) Returned mail

   c) Miscellaneous adjustment

   d) Downdating the record.

2. The CT processes suspend payment actions.

c. Resume Payments

1. ADE is used to resume payments for Insurance award payees using the Resume Payments Menu. However, if you find any information on the menu has changed (name, address, etc.), process the resumption of payments through the Name/Address menu, as described in 5.03.

2. Payments on a running award are resumed by changing the address on a suspended ("frozen") record. The award will resume automatically upon verification. The CT or Insurance Specialists in the Veterans Insurance Phone Section should check the payee number and Stub name in the menu to ensure resumption of payments for the proper payee's record.

d. Direct Deposit (DD) Changes

1. DD actions include establishing, changing or deleting Electronic Funds Transfer (EFT) information and are processed through the Insurance Terminal System (ITS).

2. DD changes can only be made to an active running award, and require certain information:

   a) The payee's social security number (SSN).

   b) The payee's bank account number and type of account.

***References:***

- M29-1, Part VI, Chapter 5, Section 5.03: Processing Change of Name and Address of Payee

*User Guides*

- Procedures for Creating a Single Premium Immediate Annuity (SPIA) policy in LifePro
- Single Premium Immediate Annuities (SPIA) in LifePro
- Procedures for First Notice of Death (FNOD) with Contingent Award in VISION and LifePro
- Procedures on Authorizing a Pay Contingent Award in VISION and LifePro
- Procedures for First Notice of Death with Overpayment in VISION and LifePro
- Procedures for Inviting Contingent Award in VISION and LifePro
- Establishing Payee for Contingent Award in VISION and LifePro
- Procedures for Processing Surrender Request for Commuted Value without Actuarial Calculation Needed in VISION and LifePRO
- Procedures for Commuted Value when Actuarial Calculations are Required in VISION and LifePRO
- Procedures on Restoring an XC in Error in VISION and LifePro
- Procedures for First Notice of Death (FNOD) in VISION and LifePro
- Name and Address Guide in LifePro

## Table of Contents

## Part VI Chapter 6 - Processing Uncollectible and Returned Checks


| Subsection | Name |
|---|---|
| 6.01 | Uncollectible Checks (Maker Deceased) |
| 6.02 | Returned Checks (Payee Deceased) |
| 6.03 | Remittance Submitted After Death of Insured |


**Publication Date**: March 19, 2020

### 6.01 UNCOLLECTIBLE CHECKS (MAKER DECEASED)

a. When an insured tenders a check in payment of a premium and the check is returned as uncollectible showing Maker Deceased and the remittance in question was included in the award as premium or unearned premium, process as follows:

   1. Prepare an amended 368d in the VA Insurance system showing the present status of the account in item 10. The information changed and the reason for change will be shown in item 24.

   2. Prepare a VA Form 29-1610, Transfer Worksheet (Interfund/Intrafund), to transfer the amount of the uncollectible item from the premiums-cash collections account to the undistributed insurance collections account.

   3. Image and then send a copy of VA Form 29-1610 to Insurance Accounting Staff with a copy of the amended 368d.

b. When the insurance lapses because the returned check paid the premium month in which the insured died, the account can be adjusted. If the account is not adjustable and payment of premiums was timely submitted by check but the check was not honored because of the insured's death, the following actions will be taken:

   1. Lead Claims Adjustment Technician (LCAT) will review the case to determine if the return of the uncollectible check will result in the insurance not being in force at the time of death of the insured. The extended insurance provision will be used to consider the insurance in force if eligible.

c. If there were insufficient funds to cover the insured's check, or any condition, other than death, which would have prevented payment, take the following actions:

   1. Prepare an amended 368d in final form showing lapse of the insurance.

   2. In item 24, Remarks, enter the following notation: Check for $ _____ returned W/O Pmt. because of insured's death.

d. If the original 368d has not been processed, the following actions will be taken:

   1. The debit entry will be posted to the RPO, including the reason for return.

   2. All documentation in relation to an uncollectible check will be imaged to the electronic insurance record.

e. If the uncollectible check (maker deceased) is received after the award has been paid and the premium is needed, prepare a supplemental 368d to establish an accounts receivable. The amount of premium due will be shown in item l6C (and D, if required) with appropriate remarks in item 24.

   1. If the supplemental 368d is processed in VA Insurance Systems, no other action is required.

   2. If the supplemental 368d cannot be processed in VA Insurance Systems, a copy of the uncollectible check is sent to the Insurance Accounting(290E)

## 6.02 RETURNED CHECKS (PAYEE DECEASED)

a. When checks are returned to VA because of the death of the payee (e.g. beneficiary), a VA Form 1409, Transmittal-Checks Returned to Agent Cashier, will be sent by the agent cashier to the Treasury Regional Disbursing Office, for preparation of a TD Form 1664X, Returned Check Notice. A copy of the VA Form 1409, together with any accompanying correspondence will be forwarded to Insurance Claims.

b. The Insurance Claims Division, upon receipt of VA Form 1409/TD Form 1664X indicating death, and a notice has not previously been received, will take action to confirm the date of death and will enter the FNOD into the Insurance record to generate inputs into the insurance master record for processing the death claim.

c. Upon receipt of the TD Form 1664X in the Death Claims activity, the claims clerk will take the following action:

   1. Cancel the check by using the Treasury disbursement system.

   2. Prepare a supplemental 368d.

d. After the claims clerk completes the action in c., the Veterans Claims Examiner prepares a 706 Notice of Refunds as follows:

| **Field** | **Entry** |
|---|---|
| **File Number** | The file number is prefilled |
| **Policy Number** | Enter the policy number |
| **Check Amt** | Enter amount of refund |

| | |
|---|---|
| **Refund Amt** | Enter amount of refund |
| **XC #** | Enter the insured's claim number |
| **Type of Refund** | Select the type of refund |
| **Off Tape/On Tap** | Select Off tape |
| **Name** | Payee's Name |
| **Address** | Enter the Payee's address |
| **Dear** | Select salutation and enter Payee's last name |
| **Addresses** | Select the Payee's name from list of Payees (their information will populate in Name and Address rows) |
| **EFT** | Check for DD and enter Transit Routing # |
| **Checking/Savings** | Check the account type and enter the type # |
| **Calculations Remarks** | Enter note if interest is being added to the refund |
| **Free Text** | Enter message to Payee as to what the refund is for |
| **ABC √** | Click this box for spell check |

e. Return of Cash Surrender Check. Whenever a check for cash surrender is returned because of death and before the end of the premium month in which the surrender was made effective, or as of the date of the check for cash surrender, whichever is later, the check will be canceled and the cash surrender invalidated. A 368d, for payment of the face amount of the policy, less any indebtedness, will be prepared.

f. Return of Policy Loan Check. When a policy loan check is returned because of death of the insured, the loan check will be canceled. An amended 368d will be prepared to reflect the amount of the check for the policy loan, plus any interest charged.

## 6.03 REMITTANCE SUBMITTED AFTER DEATH OF INSURED

a. When a remittance is postmarked after the date of death of the insured, regardless of who sent the check, the Collections Unit will refund the remittance to the submitter. If the remittance is not the exact amount of the premium, VA Insurance systems will be reviewed for any record of indebtedness.

b. When a remittance is posted prior to First Notice of Death, with a postmark date before the death of the insured, the payment will be reversed and, if insurance is inforce, will be applied to the award. If the insurance is lapsed, payment will be refunded to the submitter.

c. If there is a record of indebtedness, the Collections Unit will prepare VA Form SF-1081, Voucher and Schedule of Withdrawals and Credits, for an intrafund transfer.

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## Part VI Chapter 7 - Taxation in Relation to Life Insurance Benefits


| Subsection | Name |
|---|---|
| 7.01 | General |
| 7.02 | Requests for Treasury Department Form 712, Life Insurance Statement |
| 7.03 | Notice of Levy by Internal Revenue Service |


**Publication Date**: March 19, 2020

### 7.01 GENERAL

a. When letters are received containing requests for information concerning the effect of the federal estate tax on NSLI or USGLI benefits, the requestor will be advised to contact the Internal Revenue Service or a certified accountant. If the request is regarding the taxability of NSLI or USGLI benefits by state or municipal authorities, the requestor will be referred to their state or local tax authorities or a certified accountant.

b. The Internal Revenue Service can request to have a federal tax levy satisfied through insurance lump sum awards or monthly installment payments. The requirements for a levy request are:

   1. The tax indebtedness is that of the person(s) to whom the insurance proceeds are payable.

   2. The IRS provides notification to VA Insurance within 30 days prior to the payment of an award.

   3. The payment for the levy would be limited to the amount payable to a beneficiary.

c. The following processes apply for tax levies:

   1. Lump sum payments: Tax levies that meet the requirements in 7.01b must be processed.

   2. Monthly award payments: Tax levies that meet the requirements in 7.01b must be processed. The present value of the total monthly award payments will be calculated to pay the levy in a lump sum. Any remaining funds due the beneficiary after the tax levy is satisfied will be issued as a lump sum payment.

   3. A letter will be released to the IRS at the same time a notification is sent to the beneficiary regarding the tax levy.

***References:***

- M29-1, Part VI, Chapter 7, Section 7.01(b): General

## 7.02 REQUESTS FOR TREASURY DEPARTMENT FORM 712, LIFE INSURANCE STATEMENT

a. Upon the request from a beneficiary of a VA Insurance policy the representative of the estate of the insured, or their agents or attorney regarding tax impacts of the award, IRS 712 Form will be released.

b. IRS Form 712 is a pre-populated system generated document available on the VA Insurance system.

## 7.03 NOTICE OF LEVY BY INTERNAL REVENUE SERVICE

When the VA has been advised that there is a tax indebtedness against the beneficiary to whom the insurance proceeds are payable, Death Claims will send a letter to the beneficiary to inform him or her that a notice of levy has been received, and that under the Federal Tax Lien Act of 1966, VA is required to abide by the levy. The letter will also advise the beneficiary that unless he or she submits proof within 90 days from the date of the letter that the delinquent tax has been paid, the amount payable will be sent to the Internal Revenue Service.

**SAMPLE LETTER TO IRS REGARDING TAX LEVY**

SUBJ: Notice of IRS Tax Levy Dated _____

File/Policy#. _____

RE: Taxpayer's Name and Social Security Number

Address

Monthly payments in the amount of $____payable under the terms of the insured's option will be sent to you until the tax levy is satisfied or the taxpayer beneficiary ceases to have an interest in such payment.

It is mutually agreed that upon adequate notification the beneficiary no longer has an interest in these payments, any overpayments or duplicate payments will be refunded to the VA Insurance Center, provided a claim for refund is made within 9 months from date of payment pursuant to title 26 of IRS Code of 1954."

(Signature and Title)
VA Insurance Center Director

Agreed:

(Signature and Title)

Internal Revenue Service

If, at the end of the 90-day period the beneficiary has not notified VA that the tax lien has been satisfied, and upon receipt of a properly executed agreement from the Internal Revenue Service, settlement will be authorized to the IRS.

Payment in lump sum or monthly installments will afford VA a good acquittance only if the entitled beneficiary(ies) is alive on the date such payment(s) is made. VA is required to request a refund of any payments made under the levy following the death of any individual involved. At the time the award is authorized, a letter(s) will be released to the principal or contingent beneficiary(ies) to read substantially as follows:

Settlement of the $ _____ Government Life Insurance Policy No. _____ for which you were named (PRINCIPAL) (CONTINGENT) beneficiary has been authorized to the Internal Revenue Service under a tax levy received by the VA Insurance Center on (DATE). Payment(s) will be made (APPROPRIATE DESCRIPTION/DATE(S)). Payment(s) may be made only during your lifetime. In the event of your death prior to full payment of the levy, any proceeds remaining will become payable to the next succeeding beneficiary(ies). In that event, this office should be notified as soon as possible.

## Key Changes

| | |
|---|---|
| **Rescissions** | M29-1, Part 6, Chapter 8 is being removed in its entirety as it no longer applicable to the insurance programs. |
| **Authority** | By Direction of the Under Secretary for Benefits |
| **Signature** | Timothy Sirhal, Acting Director<br>Insurance Service |
| **Distribution** | LOCAL REPRODUCTION AUTHORIZED |

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## Part VI Chapter 9 - Active XC-Accounts, Additional Insurance Pending


| Subsection | Name |
|---|---|
| 9.01 | RH Insurance Application Pending |
| 9.02 | Reinstatement Pending |


**Publication Date**: March 19, 2020

### 9.01 RH INSURANCE APPLICATION PENDING

a. When a 368d, Report of Status for Settlement of Death Claims, is received and an application for RH insurance is pending, the Claims Clerk will complete the system-generated form. The form will be completed to include all credits, including dividends, whether or not the credit is necessary to establish or prevent lapse of the RH account if approved. The notation RH Application Pending will be entered in item 24, Remarks. The Claims Clerk should refer the case to the Lead Claims Adjustment Technician/ Claims Adjustment Technician (LCAT/CAT).

   1. No correspondence will be released to a designated beneficiary or next of kin when an RH application is pending at time of death.

   2. The LCAT/CAT sends the task to Live Claims. Live Claims will adjudicate the application and make a decision, following routine RH application procedures.

   3. The Veterans Claims Examiner (VCE) then returns the case to the LCAT/CAT with the decision, and instructions on whether a premium is needed, if the policy is approved.

      a) If approved, the LCAT/CAT processes all needed actions on the manual award(s). The new RH policy will be deactivated and built via 200 series DOCS so as not to release a policy.

      b) If disapproved, the LCAT/CAT deletes the C diary, deactivates the policy, and refers the case to the Senior VCE to process the disapproval letter with appeal rights. If another policy exists, then the LCAT/CAT should take all needed action on that policy at the same time.

### 9.02 REINSTATEMENT PENDING

a. Reinstatement Application Approved

   1. Non-Medical Reinstatement: If a non-medical reinstatement application and money is received, the LCAT/CAT processes the manual award under routine procedures, calculating any skipped months or further owed premiums.

2. Medical Reinstatement: If a medical reinstatement application is received, it is referred to Live Claims for the VCE to make an 808 decision. Once the decision is made, the VCE refers it back to the LCAT/CAT. If approved, the LCAT/CAT processes the manual award, including all inputs and 368D.

b. Reinstatement Application Disapproved: The LCAT/CAT deactivates the policy and refers the case to the Senior VCE to process the disapproval letter with appeal rights.

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## Part VI Chapter 10 - Processing Death Cases on Inactive Accounts


| Subsection | Name |
|---|---|
| 10.01 | General |
| 10.02 | Clerical Action |


**Publication Date**: March 19, 2020

### 10.01 GENERAL

BIRLS (Beneficiary Identification and Records Locator Subsystem) will generate a notice of death to the VA Insurance Center on insurance that has lapsed within two years prior to the date of death, or if a liability exists. A 368d, Report of Status for Settlement of Death Claims, will not be required unless the account can be adjusted and placed in force or there are refundable credits of $25 or more.

### 10.02 CLERICAL ACTION

a. The insurance record will be reviewed for evidence indicating that the insurance lapsed after waiver of premiums was terminated for failure to cooperate. If such evidence is of record, the case will be referred to the Section Chief, Insurance Claims Division for review.

b. In limited pay records (non-death award overpayments) of any amount, the liability will be added to the record using TT036. Once an heir is located who is entitled to the liability, a supplemental 368d will be prepared without notes and the payment will be refunded to the heir using a 706 refund or the address screen and a refund flash. The liability will then be deleted using TT035, account 09.

    1. If the liability is less than $25, the liability is deleted using TT035, account 49, and a liability deletion memo is sent to the Insurance Accounting Staff.

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## Part VI Chapter 11 - Inquiries on Death Cases


| Subsection | Name |
|---|---|
| 11.01 | Claims and Correspondence on Inactive Insurance |
| 11.02 | Inquiries on Cases Which Were Active at the Time of Death |


**Publication Date**: March 19, 2020

### 11.01 CLAIMS AND CORRESPONDENCE ON INACTIVE INSURANCE

a. If Insurance receives correspondence or a claim for death benefits and there is no electronic insurance record, the Veterans Claims Examiner (VCE) will send a letter to the correspondent or claimant advising that insurance is not in force.

b. If Insurance receives correspondence or a claim for death benefits and VA Insurance systems records show that there was coverage in force at a prior date, but not at time of death, the VCE will send a letter to the correspondent or claimant providing information on the reason that no death benefits are available.

### 11.02 INQUIRIES ON CASES WHICH WERE ACTIVE AT THE TIME OF DEATH

Inquiries involving paid death claims, as well as questions concerning the status of insurance accounts in connection with death claims, should be addressed as directed in M29-1, Part I, Chapter 12 – Miscellaneous.

***References:***

- M29-1, Part I, Chapter 12: Miscellaneous

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## Part VI Chapter 12 - Pending Awards


| Subsection | Name |
|---|---|
| 12.01 | General |
| 12.02 | Death Claims Development |
| 12.03 | Next Best Beneficiary (NBB) Processing |
| 12.04 | Deletion of Pending Awards |


**Publication Date**: October 1, 2021

### 12.01 GENERAL

a. At the end of each month, the insurance awards system will generate a report that will include the total number of death awards processed and the number pending. The electronic insurance system will generate follow-up tasks every 45 days on currently unawarded (pending) death claims until the claim is either paid or dormanted.

b. A pending award is an award where further action should be taken to locate the beneficiary or settle the case (including litigation) following standard operating procedures.

c. A pending case is considered a "Next Best Beneficiary" (NBB) award if the circumstances in 12.03 apply.

d. A pending case is considered dormant, if the following conditions exist:

1. At least four years have passed since the insured's date of death, and

2. All reasonable action has been taken to locate the beneficiary or settle the claim without success, or

3. There is failure for the beneficiary to cooperate.

4. Efforts to identify and/or locate a valid payee(s) through the NBB process are documented on a Request to Designate Account as Dormant.

**NOTE:** Accounts will be dormanted following Standard Operating Procedures.

***References:***

- M29-1, Part VI, Chapter 12, Section 12.03: Next Best Beneficiary (NBB) Processing

*Circulars & SOPs*

- SOP 29-20-001: Guidelines for Processing Dormant Accounts

## 12.02 DEATH CLAIMS DEVELOPMENT

a. Selecting the right initial action is the key to finding a beneficiary and paying a claim. The objective is to use the right source the first time to ensure timely payment of claims.

b. When more than 30 days have elapsed since release of the initial invite and claim forms, the task must be assigned to a Claims Examiner for further action. When the Claims Examiner receives a workflow task, they will review the case to determine that all action has been taken to develop the claim.

c. The Claims Examiner must use the Pending Awards Development checklist to ensure that all follow-up development, to include telephone/email contact and letter release, is exhausted before paying a NBB or requesting to make an account dormant. This checklist provides documentation of all resources and required steps needed to locate a beneficiary. The Pending Awards Development checklist must be saved as part of the Veterans record and edited with notes as to what actions were taken and when. The following details what and how resources should be reviewed in support of the checklist:

   1. **Insurance Systems/Insurance Folders:** All Insurance systems and folders must be reviewed to check for beneficiary designations. The Claims Examiner must review all folder contents for any contact from previously paid beneficiaries, next of kin, power of attorney designations, appointed fiduciaries, etc. They must also review for any telephone numbers and address, or other contact information.

      **Note:** The level of review will depend upon the stage of the beneficiary location process. For example, a beneficiary designation form returned in the last six months with comprehensive contact information for a beneficiary would not require a complete review of all Insurance records. However, a pending award where more than two unsuccessful attempts were made to locate a beneficiary would require more research, and therefore, a more thorough review of all Insurance records.

   2. **VA Systems:** Other VA systems are the next best source in locating beneficiaries to include but not limited to VBMS, Share and CAPRI. These systems should be reviewed for next of kin information. These systems can provide the date of death, last known addresses, dependent information and next of kin correspondence. For example, VBMS can be used to see if VA paid a burial benefit and who received it, SHARE can be used to confirm date of death, social security number, dependents, etc. and both systems can be used to obtain information on if a Veterans Service Organization (VSO) exists for the Insured. The VSO can then be contacted for next of kin information.

   3. **Internet Sources:** The next area of review should be online locator service websites such as Enformion or other websites such as Google, Legacy.com, Findagrave.com and Obituary.com. These websites can be reviewed for next of kin information or

other family members, friends or neighbors that can assist with locating the named beneficiary.

4. **Funeral Homes and Cemeteries:** The Veteran's listed funeral home and cemetery (to include national cemeteries) should be contacted for assistance in providing next of kin information.

5. Once all the above steps have been exhausted and the Claims Examiner is still unable to locate a beneficiary, the following additional steps may be completed. *Note these must be only used as a last resort.*

   a) **Postmaster/Occupant Letters:** These should be used as a last option. Make only one attempt using this method after all other methods above have been utilized and have not been successful. Appropriate Use and Release of Postmaster Letters and Appropriate Use and Release of Occupant Letters SOPs should be followed in order to release these letters.

   b) **Letters to Vital Statistics**: A letter can be released to the state vital statistics office where the Veteran/beneficiary lived or died. Prior to letter release, the requirements of each state should be reviewed. This information can be obtained along with the mailing address and telephone number of the appropriate office at the US Vital Records website: http://www.vitalrecordsus.com/vital-records-states.html.

      **Note:** Due to heightened security and privacy concerns, some states now require a copy of the employee's government issued PIV ID card to accompany the request.

d. Employees are required to document all development actions taken on a case to include screenshots of websites reviewed and notes of actions taken. For example, "Contacted Mary Smith, stepdaughter at 222-222-2222, left a voicemail on 07/03/2018".

e. If the reason for nonpayment is lack of cooperation from the beneficiary, one more reasonable effort should be made to secure cooperation. This effort should include first attempting contact by phone, then mail. If contact is achieved, and the beneficiary still refuses to file a claim, then he/she should be informed that failure to cooperate will result in payment to another individual. Such knowledge may encourage the beneficiary to file a claim.

   If the failure to cooperate is on the part of a lawyer handling the estate probate process, first contact the lawyer's office before inactivating the case file. If the law office's phone number and/or address have been changed since the date of last contact from the insurance file, an excellent Internet source for this type of information is the lawyer locator referral website www.martindale.com.

f. If accessing a record and the decision is made not to take an action, the reason for no action must be documented in the system's notes. No Action Necessary (NAN) is appropriate for cases that show action was taken within the past 30 days or those cases documenting settlement requirements such as estate letters, which would not be forthcoming in a short period. It is also acceptable to use NAN for cases where no beneficiary was located but the time limit to begin the NBB or dormant account process has not yet been reached.

**Note:** All annotations of NAN require a note documenting the reason for the NAN. For example, "NAN – letter sent less than 30 days ago on 07/03/2018".

***References:***

*Checklists*

- Pending Awards Development Checklist

*Circulars & SOPs*

- SOP 29-18-006: Appropriate Use and Release of Occupant Letters
- SOP 29-18-007: Appropriate Use and Release of Postmaster Letters

## 12.03 NEXT BEST BENEFICIARY (NBB) PROCESSING

Section 103 of the Veterans Benefits Act of 2003 (P.L. 108-183) authorized the Insurance Center to pay an alternative beneficiary (Next Best Beneficiary) in cases where the named beneficiary has not filed any claim for proceeds.

Next Best Beneficiary (NBB) are cases that are processed according to 38 U.S.C. 1917(f). 38 U.S.C. 1917(f) provides timeframes in which a principal or contingent beneficiary must claim insurance proceeds. If none of the named beneficiary(ies) claim proceeds within the timeframes specified in 38 U.S.C. 1917(f), payment to alternate claimants can be approved.

The following NBB eligibility and timeframes should be followed:

a. When the principal beneficiary(ies) has not been located or failed to provide VA with the necessary documentation needed to pay proceeds within two (2) years after the date of the Veteran's death, NBB procedures will be followed, and named contingent beneficiary(ies) become entitled to insurance proceeds.

   **NOTE**: If the Veteran failed to name any contingent beneficiary(ies), payment to any equitably entitled individual under "b", can begin two (2) years after the Veteran's date of death, rather than four years.

b. When the contingent beneficiary(ies) has not been located or failed to provide VA with the necessary documentation needed to pay proceeds within four (4) years after the date of the Veteran's death, NBB procedures will be followed, and proceeds may be payable to the following parties:

   1. Any previously paid beneficiary

      a) Any beneficiary(ies) previously paid within the statutory time period for filing a claim will be paid the remaining share, or an equal share, of the remaining insurance proceeds

   2. By Equitable Entitlement

      **Defined as**: Any person, or entity, that the VA determines to have provided a substantial benefit to the Veteran.

**NOTE:** In an equitable entitlement case, the surviving relatives of the insured should be paid in the following order of precedence:

a) Spouse, if living

b) Children, if living

c) Descendants of children, if living

d) Parents, if living

e) Siblings, if living

f) Descendants of siblings, if living

g) Probated Estate of Veteran

h) Next of Kin under laws of intestacy of Veteran at date of death

i) According to the Veteran's un-probated will

j) Any other person/entity who meets the definition of equitably entitled above

Examples of other persons/entities who meet the definition of equitably entitled include (not in order and not limited to):

1) Person who paid the funeral expense (not from the Veterans' account)

2) Nursing Home or Facility that provided care

3) Caregiver or caretaker

4) Homeless agency or non-profit who assisted the Veteran

**NOTE:** While the legislation does not require the Insurance Center to conduct a search for any beneficiary, past practice and current procedure is to first attempt a reasonable search effort as outlined under section 12.02. Any search effort should first focus upon attempting to locate and contact the named beneficiary(ies). A search effort should be made first for the principal beneficiary, regardless of whether the two-year period has expired since the insured's death.

If the principal beneficiary is deceased, cannot be located, or refuses to file a claim even after repeated attempts at soliciting a claim, then a claim from the contingent beneficiary should be invited after the two-year period. Regardless of whether the four-year period of time specified in the statute has expired since the insured's death, we should first attempt to honor the insured's wishes with regard to his/her named beneficiary(ies) in order of precedence named on the beneficiary designation.

In any instance where payment can be made, appropriate procedures as outlined under M29-1, Part VI, Chapter 5 and Chapter 14 will be followed.

***References:***

- Section 103 of the Veterans Benefits Act of 2003 (P.L. 108-183)
- M29-1, Part VI, Chapter 12, Section 12.02: Death Claims Development
- 38 U.S.C. 1917(f): Insurance Maturing on or after August 1, 1946
- M29-1, Part VI, Chapter 5: Awards – Original, Amended, Adjusted, Supplemental, and Running Award Maintenance Actions
- M29-1, Part VI, Chapter 14: Initiation of Claim for Insurance – Other than Routine Cases

## 12.04 DELETION OF PENDING AWARDS

Pending awards can be deleted if the case is being dormanted. If a case is dormanted and later becomes payable, the case can be moved from dormant back to pending status.

## Key Changes

| | |
|---|---|
| **Rescissions** | M29-1, Part 6, Chapter 13 is being removed in its entirety as it is no longer applicable to the Insurance programs. |
| **Authority** | By Direction of the Under Secretary for Benefits |
| **Signature** | |
| | Timothy Sirhal, Acting Director<br><br>Insurance Service |
| **Distribution** | LOCAL REPRODUCTION AUTHORIZED |

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## Part VI Chapter 14 - Initiation of Claim for Insurance – Other Than Routine Cases


| Subsection | Name |
|---|---|
| 14.01 | General |
| 14.02 | Insurance Payable to an Estate |
| 14.03 | Initiation of Claim When an Executor or Administrator of the Estate is Appointed |
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**Publication Date**: September 20, 2021

### 14.01 GENERAL

a. After completion of the 368d, if the beneficiary cannot be determined or the case is one as outlined in M29-1, Part VI, Chapter 3, paragraph 3.01(b), the case will be referred to the Veterans Claims Examiner (VCE) for initiation of the claim.

b. Before a claim is invited, the VCE will carefully review all the evidence in the electronic insurance record to determine the beneficiary of record.

***References:***

- M29-1, Part VI, Chapter 3, Section 3.01(b): General

## 14.02 INSURANCE PAYABLE TO AN ESTATE

a. Payment will not be made in any case where there is doubt as to the existence of a legally qualified relative to inherit the deceased insured's estate under the laws of jurisdiction at the time of the insured's death. Payment to the estate of the insured or the beneficiary will not be made if the sum payable will escheat to the state of jurisdiction. If it later develops that all or part of the insurance benefit are bequeathed under a will to non-relatives, claims will be initiated [in accordance with paragraph 14.04 of this chapter].

b. NSLI policies that matured by death prior to August 1, 1946, are not payable to an estate. For NSLI policies which matured after that date, insurance proceeds are payable to an estate when:

   1. The insured has designated his or her estate as beneficiary;

   2. The designated beneficiary did not survive the insured and there are no other surviving beneficiaries;

   3. The insured had selected payment in a lump sum (option 1) but the designated beneficiary elected some other mode and died before receiving all the benefits due under such mode of settlement; in which case, the present value of the remaining unpaid amount will be paid to the estate of the beneficiary;

   4. The insured did not select a lump-sum payment and the designated beneficiary, including contingent beneficiaries, died before receiving all the benefits due and payable; in which case, the commuted value, whether accrued or not, will be paid in one sum to the estate of the insured.

***References:***

- M29-1, Part VI, Chapter 14, Section 14.04: Initiation of claim when no executor or administrator of the estate has been or will be appointed

## 14.03 INITIATION OF CLAIM WHEN AN EXECUTOR OR ADMINISTRATOR OF THE ESTATE IS APPOINTED

When there is a legal representative (administrator, administratrix, or executor, executrix) of the estate of the insured or beneficiary, VA will request the following:

a. VA Form 29-4125, Claim for One Sum Payment.

b. Copy of letters of administration or letters testamentary bearing the signature and seal of the appointing court.

c. Certified copy of the public record of death unless death occurred in service or in a VA or military hospital.

***References:***

*Forms*

- VA Form 29-4125: Claim for One Sum Payment

## 14.04 INITIATION OF CLAIM WHEN NO EXECUTOR OR ADMINISTRATOR OF THE ESTATE HAS BEEN OR WILL BE APPOINTED

If no legal representative has been or will be appointed, a VA Form 29-541, Residence and Heirs, must be completed. Using the information on this form, VA will determine the heirs of the deceased insured's estate. Payment will be made to the person or persons entitled to the deceased insured's personal property under the laws of the state of jurisdiction at the time of death of the insured. Each eligible heir must submit a separate claim.

***References:***

*Forms*

- VA Form 29-541: Certificate Showing Residence and Heirs of Deceased Veteran or Beneficiary

## 14.05 INITIATION OF CLAIM TO A MINOR OR INCOMPETENT

a. If the beneficiary is a minor or an incompetent, the VCE will prepare VA Form 21-592, Request for Appointment of a Fiduciary, Custodian or Guardian and send it to the Fiduciary Hub of jurisdiction. However, if a fiduciary, guardian or conservator has already been appointed by a state court of jurisdiction, payment will be made to the minor/incompetent in care of the fiduciary, guardian or conservator. In such cases, VA Form 21-592 does not need to be prepared.

b. The space provided on VA Form 21-592 for benefits payable will reflect all VA benefits payable to the same beneficiary. If an award is pending submission of additional evidence, information as to the type and approximate amount of such benefits will be shown in the remarks section.

c. All cases in which the VCE has requested the Fiduciary Hub to appoint a fiduciary or furnish other information regarding appointment of a fiduciary will be diarized for 45 days. If notice of the appointment of a fiduciary or receipt of other requested information is not received within the diary period, a follow-up request for the information will be made and the diary date advanced.

***References:***

*Forms*

- VA Form 21-592: Request for Appointment of a Fiduciary, Custodian or Guardian

## 14.06 INITIATION OF CLAIM TO A BENEFICIARY DESIGNATED BY A WILL

a. The insured may designate beneficiaries by last will and testament, if they have never previously named a beneficiary. If they have previously named a beneficiary, they may not change it by last will and testament. They can only change the option by last and will and testament in this case.

b. When information indicates that the insured left a will, or if there is any indication that the insured was designating by will, it will be necessary to obtain a copy of the will to ascertain whether a beneficiary was designated. Under these conditions, 38 CFR 8.19 requires a duly probated will to establish a beneficiary designation. However, the correspondent or claimant will not be put to the expense of probating the will or furnishing a certified copy of the probated will until it has been established that it contains an acceptable beneficiary designation. When it is established that there is an acceptable designation by will, the beneficiary will be furnished the appropriate forms for claims. A certified copy of the last will and testament duly admitted to probate will also be required.

***References:***

- 38 CFR 8.19: Beneficiary and Optional Settlement Changes

## 14.07 INITIATION OF CLAIM TO A TRUSTEE

a. VA does not have a responsibility to ensure the provisions of a trust agreement are fulfilled. VA's responsibility ceases with payment to the trustee.

b. A trustee may only be paid via lump sum.

## 14.08 INITIATION OF CLAIM TO A CORPORATION OR LEGAL ENTITY

A firm, corporation or other legal entity may only be paid via lump sum.

## 14.09 INITIATION OF CLAIM TO THE U.S. GOVERNMENT

In 1843, the United States Government established an account for citizens who wish to make general donations to the Federal Government. Upon a notice of death, if the Insured names the U.S. Department of Treasury or U.S. Government as their beneficiary, the following actions should be taken:

1. Mail VA Form 29-4125, Claim for One-Sum Payment Form, to the U.S. Treasury at the following address with a 45-day call up established:

GIFTS TO THE UNITED STATES
US DEPARTMENT OF TREASURY
REPORTING AND ANALYSIS BRANCH 2
PO BOX 1328
PARKERSBURG, WV 26106-1328

2. If no response is received within 45 days from the mailing of this invite, payment should be issued by check to the U.S. Department of Treasury and sent the above address without completion of the VA Form 29-4125. The acceptance and deposit of this check will service as evidence of a valid claim for the proceeds as the money is already considered within the government's possession.

***References:***

*Forms*

- VA Form 29-4125: Claim for One Sum Payment

## 14.10 INITIATION OF CLAIM FOR MATURED OR PURE ENDOWMENT

a. The electronic 368d will show whether all or any part of the proceeds of a matured or pure endowment were paid to the insured.

b. All potential rights of beneficiaries cease under the insurance provisions of the policy when it matures as an endowment or a pure endowment is payable.

c. The insured, under an NSLI policy, issued on the endowment plan, may at the date of maturity as an endowment, elect to receive payment in monthly installments or as a refund life income in lieu of payment in one sum. The insured has the right to designate the beneficiary or beneficiaries to receive any remaining unpaid installments at his or her death.

c. If the insured dies before receiving all such monthly installments and no designated beneficiary survives, the present value of the remaining installments will be paid to the estate of the insured, provided such payment will not escheat.

e. If the designated beneficiary of a matured endowment survives the insured, the present value of any remaining unpaid installments will be paid to the beneficiary in one sum, unless the insured or such beneficiary elects to continue the installments under the option selected by the insured.

f. A letter will be sent to the beneficiary advising the amount of monthly installments, the period for which they are payable, and the commuted value of the unpaid installments in one sum.

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## Part VI Chapter 15 - Proof and Date of Death


| Subsection | Name |
|---|---|
| 15.01 | Proof of Death |
| 15.02 | Presumptive Date of Death |
| 15.03 | Suspending TDIP Payments Upon Death |


**Publication Date:** October 8, 2021

### 15.01 PROOF OF DEATH

A claim for insurance proceeds requires proof of death. Initial claims development should request a photocopy of the death certificate or other acceptable proof of death unless the information is already imaged and of record in VA systems.

a. Any of the following documents are acceptable proof of death for processing a death claim:

- Photocopy of the death certificate (includes digital copy obtained from VA Systems)
- Report of death of an American citizen abroad
- Statement from the attending physician
- A certified copy of a coroner's report

b. The actions listed below should be taken prior to processing a death claim.

1. Death of a Veteran

a) The record should be reviewed to see if acceptable proof of death was received.

b) Development for the "cause" or "manner" of death is not required unless the death is listed as a homicide, pending or when a Florida or New York death certificate is received signed by a medical examiner.

1) When the death is listed as a homicide, the procedures outlined in M29-1, Part VI, Chapter 20, must be followed.

2) When the death is listed as pending or when a Florida or New York death certificate is received and signed by a medical examiner, development should be completed to confirm the cause/manner of death. Development should request either an amended/updated death certificate or other

updated acceptable proof of death as noted above under M29-1, Part VI, Chapter 15, Section 15.01(a).

**NOTE 1:** When a death certificate is received and the "cause" or "manner" of death is listed as undetermined, no further development is needed, and the employee should proceed with the death claim.

**NOTE 2:** When a death certificate is received, but unreadable and a better copy is unable to be obtained from other VA records or funeral home in unable to be contacted for confirmation, a letter should be released to request a better copy from the beneficiary.

c) If proof of death is unable to be obtained, then the following actions should be taken:

1) When the Matured Accounts Payable (MCP) is $25,000 or under & the beneficiary is an immediate family member (i.e., spouse, child, parent, grandchild, or sibling), any of the following are acceptable proof of death for processing a death claim in lieu of the documents listed under Section 15.01:

i. Funeral Home confirmation of death. A VA system note should be placed documenting the Funeral Home contact to include telephone number and person contacted.

ii. Online Obituary

iii. Public Database Search Engine (ex. Westlaw, Enformion)

2) When the Matured Accounts Payable is over $25,000 or beneficiary is not an immediate family member as listed above, proof of death is required. The following steps should be completed in order to obtain proof of death:

i. Employees must contact the beneficiary(ies) by telephone or email to request an any acceptable proof of death listed under M29-1, Part VI, Chapter 15.01.

ii. The employee should make at least two telephone attempts, one day apart, to speak with the beneficiary(ies). If the two attempts are unsuccessful and a voicemail containing all required information has been left, the attempt will be considered sufficient contact.

iii. If the beneficiary(ies) cannot be reached by telephone, a letter requesting the copy of the death certificate should be released to them requesting proof of death.

d) If proof of death cannot be obtained because of a presumption of death (i.e., a missing person's case), the procedures outlined in paragraph 15.02 should be followed.

e) If proof of death cannot be obtained and it is not a presumptive death case, employee will see his/her supervisor for further guidance or an administrative decision.

2. Death of a Beneficiary

   a) When it's reported that a beneficiary has passed away, proof of death is required before awarding the deceased beneficiary's proceeds to another person. Proof of death should be requested at the time of initial claim invite, if possible.

   b) Any document listed above under Section 15.01(a) are acceptable proof of death for processing a death claim.

   c) If proof of death not received, reasonable attempts should be completed in order to obtain the information. Reasonable attempts include contacting the individual that submitted the claim for payment for additional information/documentation. Upon completion of reasonable attempts, any of the following can be accepted as proof of death for processing a death claim and must be made part of the insurance record:

      1) Funeral home confirmation of death. Funeral home telephone number and person contacted should be included in notes.

      2) Online Obituary

      3) Public Database Search Engine (ex. Westlaw, Enformion)

3. Death of a Payee on a Running Award

   a) If all guaranteed installments been paid, proof of death is not required.

   b) If all guaranteed installments have **not** been paid, proof of death as is required and the steps listed under M29-1, Part VI, Chapter 15.01(c) should be followed.

**NOTE:** The ADE Award Disbursement Checklist should be referred to when reviewing Beneficiary & Options forms, verifying receipt of claim as well as acceptable proof of death prior to payment.

***References:***

- M29-1, Part VI, Chapter 20: Determination Relating to Homicide and Survivorship in Claims for Insurance

*Checklist*

- ADE Award Disbursement Checklist

## 15.02 PRESUMPTIVE DATE OF DEATH

Value of Matured Contracts

a. $25,000 or Under

1. Whenever a claim for proceeds or an inquiry is received based on the death or disappearance of an insured or beneficiary (e.g., a contingent beneficiary claiming that the principal is deceased), procedures as outlined in paragraph 15.01 should be followed for proof of death. If no acceptable proof of death is received, a letter will be released to the person reporting the death or disappearance. The letter will request that the claim form be completed and returned with a statement giving all the circumstances surrounding the death or disappearance with any evidence available that may be of help in establishing proof of death or disappearance.

b. Over $25,000

1. Death certificate showing cause or manner of death and date of death is required, or

2. If a death certificate cannot be furnished, a finding of fact of death, where death is otherwise shown by competent evidence, may be made by an official authorized to approve such findings (i.e., circumstances which precluded recovery or identification of the body). In the absence of evidence to the contrary, a finding of fact of death made by another Federal agency will be acceptable, or

3. If a death certificate cannot be furnished, or another federal agency or officially authorized decision is not available, the Death Claims Division will contact the Regional Office of jurisdiction to request an administrative determination of the finding of death. The finding may be requested for either the beneficiary or the insured. A 60-day diary will be established for initial follow-up purposes. If subsequent diaries are required, the diary period will be based on the information available.

***References:***

- M29-1, Part VI, Chapter 15, Section 15.01: Proof of Death

## 15.03 SUSPENDING TDIP PAYMENTS UPON DEATH

If the insured is receiving TDIP at the time of death, Death Claims or Policy Services will complete system actions to stop all running awards payments on the account.

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## Part VI Chapter 16 - Beneficiaries


| Subsection | Name |
|---|---|
| 16.01 | General |
| 16.02 | Testamentary Capacity for Insurance Purposes |
| 16.03 | Designation of Beneficiary |
| 16.04 | Beneficiary Designation by a Court Appointed Legal Representative |
| 16.05 | Invalid Beneficiary Designation or Change of Beneficiary |
| 16.06 | Validity of Changes Of Beneficiaries |


**Publication Date:** March 19, 2020

### 16.01 GENERAL

a. Generally, beneficiary designations for NSLI policies are made on VA Form 29-336, Designation of Beneficiary and Optional Settlement. However, it is not necessary that a beneficiary designation or a change be made by the use of a prescribed VA form. Evidence of intent accompanied by some affirmative act in writing over the insured's signature will accomplish a beneficiary designation or change.

b. The insured may at any time, without the beneficiary's knowledge or consent, cancel or change a beneficiary designation by notice in writing, signed by the insured and forwarded to VA. Receipt of a valid designation or change of beneficiary is effective as of the date of execution.

c. A beneficiary designation, but not a change of beneficiary, may be made by last will and testament. The insured has the further right to designate one or more contingent beneficiaries in order to provide for the payment of the proceeds of his or her policy, or any unpaid portion thereof, in the event of the death of the principal beneficiary or beneficiaries.

d. The insured may provide that the proceeds of his or her insurance be payable to the designated beneficiary only if survived by such beneficiary for a specified period not to exceed 30 days. Under such designation, the insurance proceeds will not be made to the beneficiary within the specified period and, if the beneficiary fails to survive the specified period, payment will be made as though the beneficiary predeceased the insured.

e. When multiple beneficiaries are named with right of survivorship, the right of survivorship continues after the death of the insured.

f. If a beneficiary has not been designated by the insured or if the designated beneficiary does not survive the insured, the net proceeds payable under the policy will be paid to the estate of the insured. (See M29-1, Part VI, Chapter 14)

g. When a trustee is designated as beneficiary, and declines the trust, the proceeds may be paid to the person or persons having the beneficial interest in the trust (for whose benefit the trust was established). When payment is made to the trustee, the responsibility of the VA ceases. The VA is not concerned with the execution nor the terms of a trust agreement as long as there is a clear intent to establish a trust. Technical compliance with the manner of creating a trust is not essential.

h. Any payment made before proper notice of designation or change of beneficiary has been received will be judged to have been properly made to satisfy fully the obligations of the VA under such insurance policy to the extent of such payments.

i. The determination as to whether a valid change has been affected must be based on the facts in each case, bearing in mind that the practice of VA is to carry out the intent of the insured whenever possible.

j. In any case in which the latest beneficiary designation is ambiguous, the designation should be considered in the light of previous designations, as well as any evidence obtainable to reach a logical conclusion as to the insured's intent in the absence of a definite action on his or her part.

***References:***

- M29-1, Part VI, Chapter 14: Initiation of Claim for Insurance – Other than Routine Cases

*Forms*

- VA Form 29-336: Designation of Beneficiary

## 16.02 TESTAMENTARY CAPACITY FOR INSURANCE PURPOSES

a. When there are questions involving testamentary capacity of the insured to execute a designation or change of beneficiary and/or option, the Claims Clerk will refer the case to the appropriate personnel for review.

b. Determinations involving the testamentary capacity of the insured, for insurance purposes, will be made through Request for Rating/Administration Decision Memo (internal memo Form 2105) to the rating agency. The rules for determination involving testamentary capacity, for insurance purposes, are set forth in 38 CFR 3.355.

c. The Veterans Claims Examiner (VCE) will review the evidence and refer the case to the Senior VCE to determine whether or not testamentary capacity is, in fact, an issue. If the Senior VCE determines that testamentary capacity is not an issue, the VCE may

authorize payment of the proceeds of the policy. The VCE should not, however, authorize payment in any of the following situations:

1. When any claimant, who is not the beneficiary of record, alleges that there was lack of testamentary capacity involving the latest beneficiary of record.

2. In any other situation when a decision on testamentary capacity is needed because the latest named beneficiary of record does not appear to be the natural object of the insured's bounty.

3. In any case when there is the potential for a contest, e.g. when another claimant (not the beneficiary) submits a claim (formal or informal).

d. Whenever testamentary capacity is clearly an issue, or whenever any one of the situations described in subparagraph (c)(1) or (2) above arises, or in any other instance when judgment dictates that testamentary capacity should be developed, the case will be referred to a Senior VCE, for a decision on whether to request a testamentary capacity determination from the rating agency.

e. Upon receipt of a case from a VCE when testamentary capacity is an issue, the Senior VCE, will review all the pertinent facts and request a testamentary capacity determination from the rating agency.

f. The record of the rating agency's testamentary capacity determination should be imaged in VA systems for an appeal with the Board of Veterans Appeals or suit filed in federal district court.

***References:***

- 38 CFR 3.355: Testamentary Capacity for Insurance Purposes

## 16.03 DESIGNATION OF BENEFICIARY

For NSLI policies, the insured may designate as beneficiary a person or persons, firm, corporation, or other legal entity (including the estate of the insured), individually or as trustee.

## 16.04 BENEFICIARY DESIGNATION BY A COURT APPOINTED LEGAL REPRESENTATIVE

a. Generally, VA Insurance may accept a change of beneficiary designation from a court appointed legal representative with a specific court order allowing them to change the beneficiary designation on the Veteran's VA Insurance policy.

b. When adjudicating a death claim and the last beneficiary change or beneficiary designation was made by a court appointed legal representative, the case will be developed to determine if court order was entered permitting the representative to make such a beneficiary designation.

c. If the designation or change of beneficiary was not made in accordance with a court order, the claim will be paid based on the last prior valid designation.

d. When a court order has been entered permitting the beneficiary designation, the court order will be submitted to Regional Counsel for an opinion.

## 16.05 INVALID BENEFICIARY DESIGNATION OR CHANGE OF BENEFICIARY

a. Any beneficiary designation or change of beneficiary that was procured by duress, coercion, undue influence, or fraud, upon the insured is invalid if it can be established as a fact that the designation or change was caused by such means. Undue influence, coercion, etc., are factual situations, and any decision must be based on all the facts in the individual case. The following factors should be taken into consideration when making a determination:

    1. The character and mental or physical condition of the insured at the time of the act;

    2. The character and general reputation of the person or persons alleged to have exerted the pressure;

    3. Their relationship to the insured;

    4. The period of time that such pressure was or could have been exerted; and

    5. The amount of time that passed, if any, between the time such pressure ceased and the time the insurance was matured by death, during which interval the insured could have (if capable) changed a previous designation.

b. The standard rule in determining whether a designation or change of beneficiary is invalid is: Was the influence sufficient to affect the free will of the insured?

c. Fraud, duress, coercion, or undue influence might be in the form of physical force or mental or moral coercion which affects the free will of the insured and compels the insured to act against the insured's free will. Undue influence is to be distinguished from that influence normally exerted by means of advice, arguments, entreaty, intercession, persuasion, reasonable solicitation, or suggestion, unless it is so persistent to affect the free will of the insured.

d. Undue influence may not be inferred from opportunity but must be proved by evidence of the actual presence of such influence and its exertion.

e. Any payment made on the designation of record prior to the receipt of an allegation that such designation was made as the result of fraud, duress, coercion, or undue influence will be considered as properly made under the contract and to satisfy fully the obligation of the VA to the extent of such payments.

f. Any designation of a beneficiary which is actually an assignment of the insurance as security for a loan or debt is contrary to the provisions of 38 U.S.C. 5301 and is an invalid designation. However, in a General Counsel opinion dated May 5, 1976, it was held that such a change or designation is not an invalid or improper assignment as long as such a change does not prevent the insured's rights to freely execute future changes in beneficiary designation. Therefore, an insured's reason for a beneficiary designation change will not be questionable as an improper assignment in the absence of language

indicating an attempt to restrict the right to execute any later changes in beneficiary designation that the insured might choose to make.

g. If a beneficiary designation is contested after death on the basis that the insured was under the impression that he or she was restricted in his or her right to make future changes of beneficiary, the case will be developed to determine this question even if no language to this effect existed on the beneficiary form or accompanied such a change. If evidence is submitted which establishes the fact that the insured felt he or she had been restricted to make future changes, the designation will not be accepted. This procedure will apply only when a specific designation is challenged on this basis.

***References:***

- 38 U.S.C. 5301: Nonassignability and Exempt Status of Benefits

## 16.06 VALIDITY OF CHANGES OF BENEFICIARIES

a. When a change of beneficiary is received after the death of an insured, the following principles will apply:

   1. The simple fact that a change of beneficiary was received after the insured's death does not invalidate the designation. Rather, a change of beneficiary will be accepted if there is proof of the insured's intent to change the beneficiary and proof of an affirmative or documented act performed by the insured to effectuate his or her intent.

   2. 38 CFR 8.19, pertaining to NSLI, states that a change of beneficiary to be effective must be made by notice in writing, signed by the insured, and forwarded to VA by the insured or his or her agent. Upon receipt by VA, a valid designation or change of beneficiary will be deemed effective as of the date of execution.

   3. Generally, an insured's agent's authority expires upon death of the insured. This does not prevent VA from accepting, via the agent, documents properly executed prior to the death of the insured, based on the principles stated in (a)(1).

b. It is not possible to arrive at a correct conclusion strictly on the basis of the physical fact of whether a change of beneficiary was received before or after the insured's death.

***References:***

- 38 CFR 8.19: Beneficiary and Optional Settlement Changes

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## Part VI Chapter 17 - Options


| Subsection | Name |
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| 17.01 | Election of Optional Settlement by the Insured |
| 17.02 | Modes of Settlement Available |
| 17.03 | Election of Optional Settlement by the Beneficiary |
| 17.04 | Proof of Age of Beneficiary in Support of Optional Election |
| 17.05 | Adjusting Awards Upon Receipt of Evidence Establishing the Beneficiary's Correct Date of Birth |
| 17.06 | Change of Option by the Beneficiary After Initial Settlement |
| 17.07 | Request by Beneficiary, Authorized to be Paid One-Sum for Present Value of Insurance After Already Receiving Payment Under Another Option |
| 17.08 | Conditional Election of Option |
| 17.09 | Settlement Values-NSLI and USGLI |
| 17.10 | Option Election on Behalf of a Minor or Incompetent |
| 17.11 | Election of Payments on Matured Endowments |
| 17.12 | Decisions Relating to Optional Settlements |


**Publication Date:** March 19, 2020

### 17.01 ELECTION OF OPTIONAL SETTLEMENT BY THE INSURED

a. The insured may designate the option under which the payment is to be made to his or her beneficiary. A different election of optional settlement may be made for the contingent beneficiary than that selected for the principal beneficiary. Also, if the insured designates two principal beneficiaries, a different option can be selected for each.

b. Generally, the insured will make a designation or change of optional settlement on VA Form 29-336, Designation of Beneficiary and Optional Settlement. However, it is not necessary that these actions be done simultaneously or on a VA Form.

c. The insured may, during his or her lifetime, without the beneficiary's knowledge or consent, cancel or change an optional settlement by notice in writing, signed by, and forwarded to VA by the insured. Receipt of a valid designation or change of option is effective as of the date of receipt.

Note: Should the insured die after completing a valid designation or change of option, but before VA receives the change, VA will verify the designation and/or option change and honor it if it is determined to be a valid designation/option.

***References:***

*Forms*

- VA Form 29-336: Designation of Beneficiary

## 17.02 MODES OF SETTLEMENT AVAILABLE

a. The following are the modes of settlement for NSLI policies:

1. Option 1-One sum.

2. Option 2-Equal monthly installments from 36 to 240 in number, in multiples of 12.

3. Option 3-Equal monthly installments for 120 months certain with such payments continuing during the remaining lifetime of the first beneficiary.

4. Option 4-A refund life income in monthly installments payable for such period certain as may be required for the sum of the installments certain, to equal the face value of the policy, less any indebtedness, with such payments continuing throughout the lifetime of the first beneficiary. The number and amount of guaranteed installments depend upon the age of the beneficiary at the time of the insured's death. This option is not available if settlement would result in payment over a shorter period than 120 monthly installments.

b. After Death of Payee

1. If the designated beneficiary, including the contingent beneficiary entitled to a one-sum settlement, survives the insured and dies before payment has commenced, the

face amount of the insurance, less any indebtedness, will be paid to the beneficiary's estate in one sum provided that the payment to such an estate would not escheat.

2. If the designated beneficiary, including the contingent beneficiary, is entitled to settlement in one sum, elects to receive payment in monthly installments and dies before receiving all of the installments due, the present value of the remaining unpaid installments will be payable to the estate of the beneficiary in one sum, provided that payment to such estate will not escheat.

3. If the principal beneficiary is not entitled to a one-sum payment, survives the insured and dies after payment has commenced but before receiving all the guaranteed installments, the contingent beneficiary must continue to receive payment under the option originally selected unless the insured specified option 1 for such beneficiary. In this case, the contingent beneficiary may choose between monthly installments and the commuted value of the remaining unpaid installments, unless the monthly installments would be less than $10. If so, the contingent beneficiary will be paid the commuted value of the remaining unpaid installments.

***References:***

*User Guides*

- Procedures for Processing Surrender Request for Commuted Value without Actuarial Calculation Needed in VISION and LifePRO
- Procedures for Commuted Value when Actuarial Calculations are Required in VISION and LifePRO

## 17.03 ELECTION OF OPTIONAL SETTLEMENT BY THE BENEFICIARY

a. The optional settlements that can be elected by the beneficiary are as follows:

| Insured Chose the Following Option | Beneficiary Can Change Insured's Election to One of the Following Options |
|---|---|
| **Option 1** | Any installment plan with payments over $10 per month |
| **Option 2 –** Greater than 120 installments | Any longer installments under Option 2, 3, or 4 (or split between 2, 3, and 4) |
| **Option 2-** Less than 120 installments | Option 4 (if guaranteed installments are greater than the listed installments) or split between 2 and 4. |
| **Option 3** | Option 4, regardless of the number of installments |
| **Option 4** | Option 3, if there is no contingent beneficiary named, regardless of the number of installments |

**NOTE**: If the B&O lists any option 2-4, the beneficiary can only pick option 1 under one of the following:

- with a copy of the will, or,
- if there are no existing options that would result in payments of more than $10 per month.

b. If the insured did not select one of the optional settlements available, the insurance will be paid under option 1.

c. A beneficiary is entitled to be fully advised and to receive complete information concerning the various options available whenever such information is requested. However, the beneficiary will not be advised to elect a specific option, or that one method of payment is more beneficial than another. Once a beneficiary has been advised, settlement will be authorized or the option selected, without any further action.

d. If a beneficiary has been authorized payment under the original option selected and requests information as to the other options available, the beneficiary will be so advised by letter. The beneficiary will also be advised that if the method of payment which has been authorized is not satisfactory, the funds may be returned, together with the optional form, indicating a permitted method of payment desired.

## 17.04 PROOF OF AGE OF BENEFICIARY IN SUPPORT OF OPTIONAL ELECTION

If payment is to be made under option 1 (one sum) or option 2 (equal monthly installments in multiples of 12, or not less than 36, nor more than 240), proof of age will not be required since the age of the beneficiary does not affect the amount of the payment. However, proof of age will be required if payments are to be made under option 3 or 4.

## 17.05 ADJUSTING AWARDS UPON RECEIPT OF EVIDENCE ESTABLISHING THE BENEFICIARY'S CORRECT DATE OF BIRTH

a. Discrepancies in dates of birth are material only for payments under Option 3 or 4 to the first beneficiary since it is that beneficiary's age that determines the amount of the monthly installments, and, in refund life income plan settlements, the number of installments certain. If the difference in dates of birth of a beneficiary is not sufficient to change the amount of the monthly installments, no attempt will be made to correct them. In correcting conflicting dates of birth, the date established by the most acceptable evidence, as outlined in VA regulations, will be used. Should each of the conflicting dates be supported by evidence of equal value; e.g., affidavits, the date of birth establishing the younger age will be accepted.

b. When acceptable evidence is received establishing a date of birth different from that upon which the award of insurance was based, an amended 368d, will be prepared in accordance with the instructions outlined in chapter 5 paragraph 5.04 of Part 6 of this manual. The award will be amended from the effective date to show the correct amount of the monthly installment based on the beneficiary's true age. The beneficiary will be advised of the change in the amount of the installment and the reason for the change.

c. When installments certain under Option 3 or 4 are still payable and evidence is received correcting the first beneficiary's age, the correction will be reflected in the award of the

next entitled beneficiary. If the evidence is received prior to the preparation of the award to the next entitled beneficiary, the correction will be made on the original award to that beneficiary. If the correct date of birth is received subsequent to the original award to the next beneficiary, the correction will be made to amend the award.

d. Should an age discrepancy be alleged and established in a case when all the installments certain under Option 3 or 4 have been paid to the beneficiary prior to his or her death, the difference in the installments (the amount due based on the new age less the amount paid under the previous award) will be paid to the estate of the beneficiary.

e. The rule cited above is applicable to all installments certain under Option 3 or 4. The difference must be paid to the estate of the beneficiary because a contingent beneficiary's right to insurance ceases as soon as the government has paid the installments certain under Option 3 or 4.

***References:***

- M29-1, Part VI, Chapter 5, Section 5.04: Processing Payment Changes

## 17.06 CHANGE OF OPTION BY THE BENEFICIARY AFTER INITIAL SETTLEMENT

a. A change in the mode of settlement may be made by the beneficiary after payment has commenced provided the change is made within 1 year of the original election. Note: The change must be within the limitations in 17.03.

b. The effective date of the original election by the beneficiary will be the date the election form was completed by the beneficiary and postmarked or otherwise delivered to VA. If payment was originally authorized under the option elected by the insured, the new effective date of the beneficiary’s election will be the date VA receives notification from the beneficiary.

c. A change of option will be made on the basis that the new election was made initially, and the account will be adjusted accordingly. A requirement to such a change will be the repayment of any amount received by the beneficiary in excess of the amount due had the new election been made initially.

d. When a request is received for a change in the mode of settlement from a beneficiary, it will be referred to the Death Claims Section. A letter will be released informing the beneficiary whether the change can made; and if so, the letter will include information on the new payment option.

e. If repayment is necessary due to the change in option, the agent cashier will forward the following to the Death Claims Section:

   1. The letter which accompanied the remittance, endorsed by the agent cashier; or

   2. A memorandum over the agent cashier's signature showing the amount received, when a letter is not forwarded with the remittance.

f. If the beneficiary's change in option is approved, a new 368d will be prepared and in item 35 Remarks, a note will indicate that a change in the mode of settlement was made. If a remittance was received, the notation will include the amount of the remittance and the date it was received.

***References:***

- M29-1, Part VI, Chapter 17, Section 17.03: Election of Optional Settlement by The Beneficiary

## 17.07 REQUEST BY BENEFICIARY, AUTHORIZED TO BE PAID ONE-SUM FOR PRESENT VALUE OF INSURANCE AFTER ALREADY RECEIVING PAYMENT UNDER ANOTHER OPTION

When a beneficiary is entitled to payment under Option 1, and chose to receive payment under Option 2, 3 or 4, he or she may, at any time, elect to receive the present value of any remaining unpaid installments certain.

## 17.08 CONDITIONAL ELECTION OF OPTION

a. The term "conditional election of option" refers to that mode of election in which the beneficiary, without knowledge of the insured's selection, elects to receive settlement in one sum or, if one sum is not available, to receive settlement in the least number of installments possible under the insurance contract.

b. When the beneficiary selects payment in one sum and the insured did not designate a one-sum settlement by designation or by last will and testament, the beneficiary will be advised that option 1 is not available and that a request must be made for another election within the limitations of the contract.

c. Conditional elections will not be accepted by the Insurance Claims Division when the only options available are options 3 and 4. If the insured's designation of options 3 or 4 permit an election of either of these options, the beneficiary will be so advised. If the insured's designation of options 3 or 4 does not permit an alternate option, the beneficiary will be advised. Evidence of the beneficiary's age will be required to effect settlement of the insurance for options 3 or 4.

## 17.09 SETTLEMENT VALUES-NSLI AND USGLI

a. When the insured has selected other than a lump sum settlement or the beneficiary elects monthly payments in lieu of payment under Option 1, the Tables for Monthly Payments, Options 2, 3, 4 and 5, will be used in determining the settlement values and provided to the beneficiary along with the appropriate claim form.

b. The settlement values are different in each case; therefore, it is important that the correct form be used in determining the monthly installments payable in a particular case. The insurance settlement values are as follows:

1. V and N policies are based on the SOA 1983 Annuity Table for Females where life contingencies are involved with interest at the rate of 3 percent per annum.

2. W policies are based on 4 percent interest and the SOA 1983 Annuity Table for Females where life contingencies are involved.

3. J, JR and JS policies are based on 4 percent interest and the SOA 1983 Annuity Table for Females where life contingencies are involved.

4. RS policies are based on 4 percent interest and the SOA 1983 Annuity Table for Females when life contingencies are involved.

5. K policies are based on the SOA 1983 Annuity Table for Females where life contingencies are involved with interest at the rate of 2 percent per annum.

6. RH policies are based on 3-1/2 percent interest and the SOA 1983 Annuity Table for Females when life contingencies are involved.

**NOTE**: The interest rates listed above do not apply to Option 2, as these rates change frequently. See Actuarial Staff for Option 2 interest rates.

## 17.10 OPTION ELECTION ON BEHALF OF A MINOR OR INCOMPETENT

When an optional mode of settlement of insurance is available to a beneficiary who is a minor or incompetent, the option may be selected by the fiduciary, or person recognized by VA as having custody of the person or the estate of the beneficiary. The obligation of the United States under the insurance contract will be fully satisfied by payment of benefits in accordance with the mode of settlement selected.

## 17.11 ELECTION OF PAYMENTS ON MATURED ENDOWMENTS

a. The insured under a policy issued on the endowment plan may, at the date of the maturity of an endowment, elect to receive payment in monthly installments under option 2 in lieu of payment in one sum or as a refund life income option. If the insured elects option 2 or the refund life income option, one or more beneficiaries may be designated to receive any remaining unpaid installments at time of death. If the insured dies before receiving all such monthly installments and no designated beneficiary survives, the present value of the remaining unpaid installments will be paid to the estate of the insured, provided such payment will not escheat.

   **NOTE**: Upon maturity of an endowment policy, the beneficiary designations under the policy are terminated. The application for payment of matured endowment permits the insured to designate principal and/or contingent beneficiaries to receive any remaining unpaid installments at his or her death.

b. If the designated beneficiary of a matured endowment survives the insured, the present value of any remaining unpaid installments will be paid to such beneficiary in one sum,

unless the insured has elected to continue the installments under the selected option for payment of the endowment.

c. The beneficiary of the endowment will be advised of the amount of the monthly installments available and the period for which they are payable. If payment of the commuted value of the installments is permitted, the beneficiary will be requested to state whether he or she desires to continue to receive the remaining installments as they become due or the commuted value of these installments in one sum.

***References:***

*User Guides*

- Procedures for Processing Surrender Request for Commuted Value without Actuarial Calculation Needed in VISION and LifePRO
- Procedures for Commuted Value when Actuarial Calculations are Required in VISION and LifePRO

## 17.12 DECISIONS RELATING TO OPTIONAL SETTLEMENTS

a. In all cases, every effort should be made to carry out the wishes of the insured if they have been clearly expressed. If the insured's wishes cannot be easily determined, all available evidence must be considered to determine the intention of the insured with regard to the payment of proceeds to the beneficiary.

b. VA 29-4125 pre-populates lump sum as the option unless otherwise indicated by the insured. However, in the case of an informal beneficiary designation where an option is not selected, the payment will be made in a lump sum, unless:

1. VA Form 29-336 (Sep. 1957), Change or Designation of Beneficiary and/or Change of Selection of Optional Settlement, in item 7 stated "ALL PREVIOUS designations of principal and contingent beneficiaries under the policy . . . are hereby cancelled . . . " . As the language was silent on cancellation of a prior option, in the absence of an entry as to the option in item 7, the payment will be made under the prior option selected by the insured.

2. VA Form 29-336 (including all versions from Nov 1965 through current date) changed the wording to include cancelling all previous option selections as well as beneficiary elections; therefore, the signature of the insured on one of these forms would cancel a prior selection of option. Payment will be made under the option listed on the latest form completed by the insured.

c. NSLI applications which were used prior to enactment of Public Law 79-589 show only two methods of settlement. In adjudicating a death claim where the insured has designated a beneficiary and not selected an optional settlement which would have been available after the passing of the law, the question of mode of payment to the beneficiary will be one for administrative determination.

d. Separate NSLI policies may not be consolidated or combined to prevent the restriction of payments of less than $10 monthly.

e. When a beneficiary of NSLI entitled to payment in one sum elected to receive payments in monthly installments and died before negotiating any one or more of the payments, his or her estate is entitled to payment of the present value of total sum of the installments, not the commuted value, as long as there is no surviving contingent beneficiary.

f. In the NSLI program, if no beneficiary is designated by the insured, or if the designated beneficiary does not survive the insured, or if a designated beneficiary not entitled to a lump-sum settlement survives the insured, and dies before receiving all the benefits due and payable, then the commuted value of the remaining unpaid insurance (whether accrued or not) shall be paid in one sum to the estate of the insured.

g. An additional amount of NSLI is payable to the estate of a principal beneficiary who has received the guaranteed installments on Options 3 and 4, based on an age younger than his or her actual age and whose correct age is established subsequent to his or her death. The amount due the estate is the difference between the amount paid and the amount which would have been payable if the correct age of the principal beneficiary had been established during his or her lifetime.

***References:***

*Forms*

- VA Form 29-4125: Claim For One Sum Payment
- VA Form 29-336: Designation of Beneficiary

*User Guides*

- Procedures for Processing Surrender Request for Commuted Value without Actuarial Calculation Needed in VISION and LifePRO
- Procedures for Commuted Value when Actuarial Calculations are Required in VISION and LifePRO

**TABLE FOR DETERMINING MAXIMUM NUMBER OF MONTHLY INSTALLMENTS OF NOT LESS THAN $10**

| Net or Commuted Value of Insurance Payable | | | | |
|---|---|---|---|---|
| **Number of Installments** | **N-V-H** | **RS-RH** | **W** | **J-JR-JS** |
| **12** | $118.392 | $118.784 | $118.656 | $118.138 |
| **24** | $233.333 | $234.965 | $234.417 | $232.269 |
| **36** | $344.92 | $348.57 | $347.35 | $342.54 |
| **48** | $453.27 | $459.69 | $457.53 | $449.08 |
| **60** | $558.46 | $468.35 | $465.02 | $552.02 |
| **72** | $660.58 | $674.63 | $669.89 | $651.49 |
| **84** | $759.73 | $778.57 | $772.21 | $747.58 |
| **96** | $85.99 | $880.23 | $872.02 | $840.43 |
| **108** | $949.45 | $979.64 | $969.41 | $930.14 |
| **120** | $1040.18 | $1076.87 | $1064.42 | $1016.81 |
| **132** | $1128.28 | $1171.96 | $1157.11 | $1100.56 |
| **144** | $1213.80 | $1264.95 | $1247.54 | $1181.47 |
| **156** | $1296.84 | $1355.90 | $1335.76 | $1259.64 |
| **168** | $1377.46 | $1444.85 | $1421.84 | $1355.18 |
| **180** | $1455.73 | $1531.84 | $1505.81 | $1408.15 |
| **192** | $1531.72 | $1616.92 | $1587.73 | $1478.66 |
| **204** | $1605.49 | $1700.12 | $1667.66 | $1546.79 |
| **216** | $1677.12 | $1781.50 | $1745.64 | $1612.61 |
| **228** | $1746.66 | $1861.08 | $1821.72 | $1676.21 |
| **240** | $1814.18 | $1938.91 | $1895.94 | $1737.65 |

1. Net insurance means the face value of the policy less loan and interest. Commuted value means the discounted value of unpaid installments.
2. $84.47 per $1,000
3. $42.86 per $1,000
4. $84.19 per $1,000
5. $42.56 per $1,000
6. $84.28 per $1,000
7. $42.66 per $1,000
8. $84.65 per $1,000
9. $43.05 per $1,000

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## Part VI Chapter 18 - Assignments


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| 18.02 | Method of Payment to the Assignee |
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**Publication Date:** March 20, 2020

### 18.01 GENERAL

a. An assignment of a Government Life Insurance policy is not binding on the United States unless in writing and until filed with VA. The United States assumes no responsibility for the validity of an assignment. The law precludes assignment of gratuitous insurance issued under 38 U.S.C. 1922(b).

b. An assignment will not be accepted if the assignor lacked testamentary capacity, or was not otherwise legally competent to assign, or was subjected to fraud, duress or undue influence. A minor designated principal beneficiary may not assign, nor may the designated contingent beneficiary join the minor principal beneficiary in the assignment. See Appendix B – Age of Majority for additional guidance on emancipation for assignment purposes.

c. The designated beneficiary may assign only the portion of their insurance benefit. Therefore, following the death of a principal beneficiary, the contingent beneficiary can make an assignment of the unpaid installments certain.

d. Assignments may not contain limitations or restrictions based on time or other factors, such as remarriage. For example, if the beneficiary is the father of the insured, he may not assign his portion of the proceeds to the widow of the insured with the limiting condition that she not remarry.

e. When the beneficiary executes or joins in an assignment, he or she relinquishes the right and title to that part of the insurance which he or she would otherwise have been entitled to as beneficiary. However, if no rights of survivorship apply, he or she also relinquishes the right and title to any parts of the insurance. The beneficiary does not relinquish the right and title to any non-insurance benefits payable under intestacy laws of the state of jurisdiction.

f. An assignment is permissible whether delivered to the VA before or after monthly payments of the insurance have commenced to the assignor. After the assignment and initial payment are made, the assignment cannot be revoked. If the assignee dies before any payment is made, the assignment will be disregarded.

g. NSLI provides for assignments as follows:

   1. A designated beneficiary of an NSLI policy may assign all or any part of his or her interest in such insurance within a restricted class. The designated contingent beneficiary, if any, must join the principal beneficiary in the assignment except when the insurance is payable in one sum. The right to make an assignment is restricted to a designated beneficiary, principal or contingent.

   2. The restricted class for assignments is enumerated in 38 USC 1918 (widow, widower, child, father, mother, grandfather, grandmother, brother or sister of the insured).

   3. Assignees will be required to submit proof of relationship.

   4. In cases in which an interest in an annuity is assigned, payment must be made to the assignee under the appropriate annuity option elected by the insured or a permissible alternate annuity option elected by the assignee. An interest in an annuity includes all modes of payment except payment in one sum.

***References:***

- 38 U.S.C. 1922: Legacy Service-Disabled Veterans' Insurance
- 38 U.S.C. 1918: Assignments

## 18.02 METHOD OF PAYMENT TO THE ASSIGNEE

a. When an assignment is received in VA before any payments have been made to the principal beneficiary, settlement to the assignee will be made under the option selected by the insured. If the insured did not select an option, the assignee will be paid under the one sum option. If the insured selected option 2 without designating the number of monthly installments, settlement will be made in 36 equal monthly installments. If settlement is being made as a life annuity under option 3 or 4, the monthly installments will be based on the age of the assignee.

b. When one or more monthly installments of the insurance have been paid prior to receipt of an assignment in VA, the following will apply:

   1. If the insured elected settlement in one sum but the assignor elected an option providing monthly installments, the assignee can elect to receive the remaining unpaid installments certain, or the commuted value of the unpaid installments certain in one sum.

   2. If the assignor not entitled to elect settlement in one sum elected a specific number of installments under option 2, the unpaid installments certain would be awarded to the assignee.

3. If the assignor not entitled to elect settlement in one sum elected settlement under either option 3 or 4, only the unpaid installments certain will be awarded to the assignee.

c. When a contingent beneficiary entitled to elect settlement in one sum assigns his or her interest in the insurance following death of the principal beneficiary, the assignee will be permitted to elect the commuted value of the remaining unpaid installments certain in one sum, or to continue to receive the remaining unpaid installments certain.

d. If an assignee dies prior to payment of all guaranteed installments, the commuted value of the remaining installments certain will be paid to the estate of the insured unless the assignor had the right to elect settlement in one sum. In that event, the commuted value of remaining unpaid installments certain would be paid in one sum to the assignee's estate.

e. When an assignment is executed by a principal beneficiary and settlement of the unpaid installment certain under option 3 or 4 is to be made, an appropriate letter will be released to the assignor at the time of settlement. The letter will inform the assignor that the assignment is acceptable only to dispose of the unpaid installments certain and the date that the guaranteed monthly payments will end.

***References:***

*User Guides*

- Procedures for Processing Surrender Request for Commuted Value without Actuarial Calculation Needed in VISION and LifePRO
- Procedures for Commuted Value when Actuarial Calculations are Required in VISION and LifePRO

## 18.03 CLAIM BY ASSIGNEE-ASSIGNMENT OF ASSIGNOR

The assignee, not the beneficiary (assignor), will execute the claim on VA Form 29-4125 in every case in which there is an assignment. This claim must be supported by VA Form 29-538 Assignment of Government Life Insurance Benefits, or any written instrument which clearly indicates an assignment of right, title and interest, executed by the person entitled to the insurance and by the contingent beneficiary, if one has been designated. Mode of settlement will be determined in accordance with the rules stated in paragraph 18.02. The assignee must submit proof of relationship unless such proof has been submitted previously for other purposes. Proof of age of the assignee must also be submitted when Option 3 or 4 is involved.

***References:***

- M29-1, Part VI, Chapter 18, Section 18.02: Method of Payment to the Assignee

*Forms*

- VA Form 29-4125: Claim For One Sum Payment
- VA Form 29-538: Assignment

## 18.04 ASSIGNMENT OF ATTORNEY'S FEES

a. An attorney, his or her heirs, or the administrator of his or her estate, may assign his or her fee to any person, firm or corporation. After the initial payment is made, the assignment cannot be revoked.

b. An attorney may waive payment in favor of the beneficiary provided he or she does not receive a valuable consideration as a result of such an act. Cases in which the attorney accepts a lump sum as full payment in lieu of monthly installments will be referred to VA General Counsel.

**NOTE**: See M29-1, Part VI, Chapter 19 for additional information on Attorney's Fees.

***References:***

- M29-1, Part VI, Chapter 19: Attorney's Fees

## 18.05 NOTES OF DECISIONS RELATING TO ASSIGNMENTS

a. A trustee (e.g. for the insured's minor child) is not within the class to which assignments of NSLI are restricted by 38 U.S.C. 1918 and such an assignment will not be considered valid.

b. An assignment of NSLI becomes irrevocable once payment has been made.

c. If the insured's beneficiary has been charged with feloniously causing his or her death, but has not yet been brought to trial, the Death Claims Section will wait for a court decision before taking further action to adjudicate the claim. See M29-1, Part VI, Subchapter 20.03.

***References:***

- 38 U.S.C. 1918: Assignments
- M29-1, Part VI, Chapter 20, Section 20.03: Effect of Adverse Finding on the Beneficiary

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## Part VI Chapter 19 - Attorney's Fees


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| 19.01 | Attorney's Fees |


**Publication Date**: March 19, 2020

### 19.01 ATTORNEY'S FEES

a. All agreements for the payment of fees for services of agents and attorneys must be in writing and signed by both the claimant or appellant and the agent or attorney. 38 CFR 14.636(g).

b. To be valid, a fee agreement must include the following information:

   1. The name of the veteran.

   2. The name of the claimant or appellant if other than the veteran.

   3. The name of any disinterested third-party payer and the relationship between the third-party payer and the veteran, claimant, or appellant.

   4. The applicable VA file number.

   5. The specific terms under which the amount to be paid for the services of the attorney or agent will be determined. 38 CFR 14.636(g)(1).

c. Fee agreements must also clearly specify if VA is to withhold and pay the agent or attorney directly out of the claimant's award of past-due benefits. A direct-pay fee agreement is a fee agreement between the claimant or appellant and an agent or attorney providing for payment of fees out of past-due benefits awarded directly to an agent or attorney. 38 CFR 14.636(g)(2).

d. A fee agreement that does not clearly specify that VA is to pay the agent or attorney out of past-due benefits or that specifies a fee greater than 20 percent of past-due benefits awarded by VA shall be considered to be an agreement in which the agent or attorney is responsible for collecting any fees for representation from the claimant without assistance from VA. 38 CFR14.636(g)(2).

e. A copy of the agreement must be filed with the Office of the General Counsel within 30 days of its execution by mailing the copy to the following address: Office of the General Counsel (022D), 810 Vermont Avenue, NW, Washington, DC 20420. Only fee agreements and documents related to review of fees under paragraph (i) of section 14.636 and expenses under section 14.637 may be filed with the Office of the General Counsel. All documents relating the adjudication of a claim for VA benefits, including any

correspondence, evidence, or argument, must be filed with the agency of original jurisdiction, Board of Veterans Appeals, or other VA office as appropriate. 38 C.F.R. § 14.636(g)(3).

f. Whenever a judgment or decree shall be rendered in an action brought under 38 USC 1984, the court, as a part of its judgment or decree, shall determine and allow reasonable fees for the attorneys of the successful party or parties and apportion same if proper, said fees not to exceed 10 per centum of the amount recovered and to be paid by the Department out of the payments to be made under the judgment or decree at a rate not exceeding one-tenth of each of such payments until paid; except that, in a suit brought by or on behalf of an insured during the insured's lifetime for waiver of premiums on account of total disability, the court, as part of its judgment or decree, shall determine and allow a reasonable fee to be paid by the insured to the insured's attorney. 38 USC 1984(g).

***References:***

- 38 CFR 14.636: Payment of Fees for Representation by Agents and Attorneys in Proceedings before Agencies of Original Jurisdiction and Before the Board of Veterans' Appeals
- 38 CFR 14.637: Payment of the Expenses of Agents and Attorneys in Proceedings before Agencies of Original Jurisdiction and Before the Board of Veterans' Appeals
- 38 U.S.C. 1984: Suits on Insurance

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**Publication Date**: March 20, 2020

### 20.01 GENERAL

The fundamental principle of the common law is that no one will be permitted to benefit from his or her own wrongdoing, or make any claim based on his or her own crime. This principle is also applicable to insurance benefits provided by VA. Under VA procedures, any potential beneficiary who wrongfully and intentionally causes the death of the insured will not be entitled to insurance proceeds obtained through their wrongdoing.

### 20.02 JURISDICTION RELATING TO SPECIAL DETERMINATIONS

a. When information is received by the Death Claims Section that requires a finding of either fact or presumption of death, the Rating Activity will be informed of the facts in the case and will be requested to furnish an administrative determination under Standard Operating Procedures.

b. Homicidal Death: When information is received in the Death Claims Section indicating that the insured's death may be due to homicide, the appropriate personnel will review the case and any relevant evidence that can be obtained to confirm that the cause of death was due to homicide. Once homicide is determined to be the cause of death, additional evidence will be obtained to determine if the designated beneficiary(s) was involved in the death of the insured. If the evidence shows that a beneficiary was involved in the insured's death, the case will be referred to the Rating Activity for an administrative decision that determines if the beneficiary is barred from receiving the insurance proceeds. The determination will be based on the provisions of 38 CFR 6.19, and 8.20 in accordance with Standard Operating Procedures.

c. Death by Common Disaster: When information is received by the Death Claims Section that both the insured and beneficiary died in the same common disaster and the order of time of death is required to ascertain the proper payee in the insurance settlement, the Death Claims Section will develop the claim as outlined in paragraph 20.06 and will prepare the administrative determination.

***References:***

- 38 CFR 6.19: Evidence to Establish death of the Insured
- 38 CFR 8.20: Proof of Death, Age, Relationship, and Marriage
- M29-1, Part VI, Chapter 20, Section 20.06: Facts to be Considered in Determining Survivorship

## 20.03 EFFECT OF ADVERSE FINDING ON THE BENEFICIARY

a. When the death of an insured is wrongfully and intentionally caused by a beneficiary, the claim will be disallowed. The insurance will be settled as if the insured survived the beneficiary who caused his or her death. Settlement will be deferred until legal proceedings are completed.

b. The rule that a wrongdoer may not profit by his or her wrongful acts is equally applicable to an insurance beneficiary who wrongfully and intentionally caused the death of another beneficiary. A beneficiary who causes the death of another beneficiary may not be paid any part of the insurance to which the deceased beneficiary was entitled and would have received or continued to receive except for his or her death.

c. Although the designated beneficiary who participated in the unlawful death of the insured has forfeited his or her rights to the insurance, the proceeds will become payable to the insured's estate (no other principal or contingent beneficiaries of record) upon evidence that such beneficiary will not share in the distribution. If evidence is received that the beneficiary will share in the proceeds from the insured's estate either by will or state law, the Insurance Center will withhold payment from the estate until the Rating Activity provides comment on distribution of insurance proceeds. Additionally, the Administrator of the Estate must provide a statement that the beneficiary convicted in the insured's death will not share in the proceeds.

## 20.04 INTERPLEADER

a. When there is doubt as to whether the claimant or beneficiary is entitled to payment, interpleader actions may be brought by VA in the name of the United States to ascertain the person or persons entitled to the insurance benefits.

b. If there is reasonable doubt as to a claimant's entitlement to insurance benefits, consideration will be given to a request for referral of the case to the Office of General Counsel (OGC) for a determination whether an interpleader action should be filed. In such cases, all of the pertinent documentation will be obtained and referred with a cover letter to the Assistant Director for Insurance Program Management (290) for submission to OGC.

## 20.05 SURVIVORSHIP DETERMINATIONS INVOLVING THE ORDER AND TIME OF DEATH OF INSUREDS AND BENEFICIARIES

a. "Common disaster" includes incidents in which more than one death occurred. Examples of common disasters include, floods, plane crashes, fires, motor vehicle accidents, epidemics, mass shootings, etc. The term "common disaster" is also used in determining survivorship when multiple deaths occur from accidents, suicide pacts and murder-suicide deaths.

b. Determinations as to survivorship are required in order to ascertain the proper payee in the insurance settlement, when:

   1. Both the insured and beneficiary(ies) die in the same common disaster and insurance is payable.

   2. The insured dies and leaves behind two or more beneficiaries with right to survivorship, who die in the same common disaster and the insurance is payable.

   **NOTE**: If the insured of an NSLI policy selects an option other than lump sum, a determination is not necessary as the installments are payable to a contingent beneficiary, or upon death of all beneficiaries, the present value of the installments will be payable to the estate of the insured.

c. When several persons perish in a common disaster, there is no presumption as to survivorship. The fact of survivorship must be proved by either direct or circumstantial evidence. State laws providing presumptions in cases involving the question of survivorship are not applicable in the settlement of insurance under the laws administered by VA. Although a determination as to survivorship by a State court is not binding, careful consideration will be given to such findings in determining survivorship.

## 20.06 FACTS TO BE CONSIDERED IN DETERMINING SURVIVORSHIP

a. If the reports of death indicate that the deaths were the result of a common disaster and the order of death cannot be determined from the reports, development will be initiated to obtain the evidence required to determine survivorship. In corresponding with local government offices or officials, the letter will stress the fact that any records furnished will be as a courtesy to VA as no funds will be provided for such services.

b. In some cases, the order of death can be established by:

   1. Testimony of witnesses as to the position of the deceased before and after the demise;

   2. Whether any signs of life were observed;

   3. Medical evidence relating to the character and severity of the injuries;

   4. The extent to which rigor mortis set in; and

   5. General considerations such as age and health.

## 20.07 DETERMINATIONS OF NON-SURVIVORSHIP

a. The burden of proving the beneficiary's survivorship is upon the person who claims the proceeds through the beneficiary. If the beneficiary's survivorship is not established, a determination of non-survivorship will be prepared using the format in 20.08.

b. If there is a conflict of survivorship evidence it will be submitted to OGC for review as to next steps, including the option of filing interpleader actions as provided in paragraph 20.04.

***References:***

- M29-1, Part VI, Chapter 20, Section 20.08: Preparation of Formal Administrative Determinations
- M29-1, Part VI, Chapter 20, Section 20.04: Interplender

## 20.08 PREPARATION OF FORMAL ADMINISTRATIVE DETERMINATIONS

a. When a formal determination as to the claimant's entitlement to insurance proceeds is the responsibility of the Death Claims Section, the procedures outlined in paragraph 20.02 above will be followed for cases that require special administrative determination. Documentation will be made in the electronic VA Insurance System regarding the complete findings.

b. For cases that do not fall under the review requirements of paragraph 20.02, the GS -11 and GS-12 Veterans Claims Examiners will make a determination on the case. Documentation will be made in the electronic VA Insurance System regarding the complete findings.

c. Administrative determinations will be documented in the electronic VA Insurance System.

d. If the finding is unfavorable, a formal disallowance letter will be released with appeal rights. A copy of the disallowance letter will be stored in the electronic VA Insurance System.

e. In cases where VA has determined the principal beneficiary is not entitled to the proceeds of the insurance, the contingent beneficiary will be notified by letter at the time the formal disallowance is sent to the principal beneficiary. The letter will explain the basis for the disallowance and the fact that the principal beneficiary has appeal rights. If not already filed, the contingent beneficiary will also be requested to submit, within 60 days, a formal claim and provide other documents that may be required for settlement and that support his or her entitlement to the proceeds. Thereafter, the contested claims procedure as outlined in Chapter 21 of this manual will be followed.

***References:***

- M29-1, Part VI, Chapter 20, Section 20.02: Jurisdiction Relating to Special Determinations
- M29-1, Part VI, Chapter 21: Contested Claims

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## Part VI Chapter 21 - Contested Claims


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**Publication Date**: July 9, 2021

### 21.01 IDENTIFICATION OF CONTESTED CLAIMS

a. The provisions of this chapter are applicable to insurance death claims filed by two or more persons for part or all of the proceeds of the same policy when the allowance of one claim would necessitate disallowance of the other claim(s) or payment of a lesser

amount(s), and each claimant protests the payment of part or all of the insurance to the other claimant(s).

b. Formal claims for the same insurance received from two individuals alleging legal marriage or parenthood will automatically require application of the contested claims procedure. This rule applies only to claims when entitlement is based on relationship in contracts of NSLI maturing prior to August 1, 1946 and claims for gratuitous insurance.

c. The contested claims procedure in most cases is used when claims are received from two persons alleging entitlement on factual grounds not necessarily based on relationship. The two basic principles needed to initiate this procedure are:

    1. A formal claim; and

    2. A protest against payment to the other claimant. Evidence in support of a claim will be considered as a protest.

d. The protest against payment must be made by the claimant. Such claims include, but are not restricted to:

    1. A claim for insurance together with the allegation that the beneficiary designation of record is not the most current; or

    2. The insured lacked testamentary capacity when they changed the beneficiary; or

    3. The change of beneficiary was an assignment; or

    4. The change of beneficiary was procured by fraud, undue influence or duress; or

    5. When one parent protests the payment of insurance to another parent.

## 21.02 CERTIFICATION OF INTENTION TO PROTEST

a. When an insurance claim is received from a person other than a designated beneficiary, without any correspondence explaining his or her intent or purpose, the claimant will be informed they are not the designated beneficiary of record. That claimant will also be informed that the claim will be considered withdrawn unless a notification is received within 60 days that he or she intends to protest payment and furnishes the grounds for protest.

b. If a claim has been filed and/or correspondence is received from someone other than the claimant which indicates that the correspondent believes that they may be entitled to the insurance proceeds, that person will be informed they are not the designated beneficiary of record. A verbal intent to protest can also be received over the phone if, upon contact with the call center, the individual is informed that they are not the beneficiary of record. The call center will advise the individual to submit a written letter of intent to contest. When a letter is released, the correspondent will be informed to submit all evidence or statements setting forth reasons as to why they are entitled to the payment. The claimant will be given 60 days from the date of the letter to

respond with the requested information being received by VA. It must also be made clear in the letter that failure to respond with the claim form and evidence will result in the adjudication of the claim without further notification.

## 21.03 DEVELOPMENT

a. Contested claims will be developed simultaneously with all parties in interest being afforded every opportunity to submit all available evidence. Generally, contested claims will require more detailed development than a typical claim.

b. VA will provide reasonable assistance to claimants and their legal representatives for contested claims. VA will notify the claimant, if the required evidence cannot be furnished, VA should be informed of that fact, with an explanation of the reason.

c. Before a determination of entitlement is made in a contested claim for insurance, each claimant will be invited to submit any evidence or statement that they may have to support the claim. Instructions and time limitations for soliciting this material are found in paragraph 21.02b. The 60-day period described in that paragraph may be extended if good cause is shown. If an extension is granted, all claimants will be notified of the additional time allowed.

d. It is the responsibility of the claimant to supply acceptable proof of the validity of their claim or to present an adequate explanation of inability to supply any evidence that is lacking. When all available evidence submitted by claimants leaves a doubt as to the proper adjudication, a VA Form 27-3537a, Field Examination Request, will be prepared and forwarded to the Rating Activity. Testimony of witnesses in deposition form will be requested only if the facts and circumstances in a particular case are such that information via deposition is considered essential to adequately resolve the question in issue. For example, in contested insurance death claims involving beneficiary designations, the VA Form 27-3537a will specify that the testimony of witnesses for the adverse parties be in deposition form.

***References:***

- M29-1, Part VI, Chapter 21, Section 21.02(b): Certification of Intention to Protest

*Forms*

- VA Form 27-3537a: Field Examination Request

## 21.04 DETERMINATION OF RELATIONSHIP QUESTIONS

a. The classes of evidence to be requested for the purpose of establishing marriage, age, or relationship are indicated in 38 CFR 8.20.

b. Questions in determining adoption or legitimacy of children and determination of the person who last stood in loco parentis to the insured are outlined in M29-1, Part VI, Chapter 16.

***References:***

- 38 CFR 8.20: Proof of Death, Age, Relationship, and Marriage
- M29-1, Part VI, Chapter 16: Beneficiaries

## 21.05 ALLEGED CHANGE OF BENEFICIARY IN CLAIMANT'S FAVOR

When a claimant alleges that the insured executed a change of beneficiary in their favor, and the date of the alleged change is after the one of record, a thorough search for such a change will be made. If a more recent beneficiary designation is not of record, the claimant will be advised to file a contest.

## 21.06 CONTESTED CLAIMS INVOLVING TESTAMENTARY CAPACITY AND QUESTIONED DOCUMENTS

a. When testamentary capacity is alleged or involved in a contested claim, evidence will be obtained on the testamentary capacity of the insured at the time the beneficiary designation was made, this includes copy of the court order and/or if the VA deems the insured incompetent.

b. Cases requiring handwriting analysis should be processed following current procedures noted within VAIC Circular 29-03-016, Handwriting Analysis on Contested Claims Policy.

***References:***

*Circulars & SOPs*

- VAIC Circular 29-03-016: Handwriting Analysis on Contested Claims Policy

## 21.07 ADMINISTRATIVE DECISIONS

a. Administrative decisions will be prepared by the adjudicator, as described below, in all cases involving contested claims for insurance except when a submission to the Regional Counsel or the General Counsel is in order on a question relating to the validity and legal effects of marriage or remarriage (ceremonial or otherwise), divorce, adoption, or legitimacy of children. (See M21-1, Part III, Subpart iii, Chapter 5)

b. An original only of an administrative decision will be prepared. The Chief, Death Claims Section, or a designee, has authority to approve these decisions. The standard format for administrative decisions will be as follows (no local form or form letter will be developed for this purpose):

   1. **Issue**: State the specific question.

   2. **Contentions of Claimants**: Furnish briefly in narrative form the contentions of each claimant summarized from correspondence and other information furnished by claimants. Do not quote at length from letters, affidavits, etc.

   3. **Facts**: Furnish a brief, concise, and orderly statement of the pertinent facts of record.

4. **Pertinent Laws and Regulations**: The laws and regulations quoted under this caption must be clearly identified.

5. **Discussion**: Show how conflicting allegations have been resolved to support the conclusion that follows.

6. **Conclusion**: State which claim is allowed, and which one is disallowed.

***References:***

- M21-1, Part III, Subpart iii, Chapter 5: Relationship and Dependency

## 21.08 INTERPLEADER

a. Under 38 USC 1984, when a claimant files suit on a claim in federal district court, a suit in the nature of a bill of interpleader may be brought by the Government in the name of the United States against all persons having or claiming to have an interest in the insurance.

b. If there is reasonable doubt regarding an issue as to which claimant is rightfully entitled to insurance proceeds, the case will be submitted to the General Counsel for determination of whether a suit of interpleader should be brought.

c. A reasonable doubt may exist in a case involving an issue between claimants as to whether an insured changed the beneficiary for their Government Life Insurance when:

   1. The evidence is conflicting, but can be considered to be sufficient to show that the insured may have accomplished a change of beneficiary; and

   2. The evidence may present different conclusions as to whether the insured formed the prerequisite intent and performed an overt act intended to effectuate a beneficiary change; and

   3. There is substantial uncertainty with regard to which claimant would recover in a suit brought to determine the issue of whether a change of beneficiary was executed.

d. The decision as to whether a case should be referred to the General Counsel will be made by the Chief, Death Claims Division.

e. The fact that an attorney or claimant requests VA to file interpleader action will not exclude the regular claims procedure from being followed.

**NOTE**: Whenever a case arises where personal representatives from different States have been appointed, the Chief, Death Claims Division will not determine which representative of the insured's estate will be recognized. Even though it may be concluded that one State or the other has a better basis for appointing a representative, VA would remain exposed to the possibility of multiple claims should this type of issue ever be litigated in the future. In this circumstance, a bill of interpleader will be requested.

***References:***

- 38 U.S.C. 1984: Suits on Insurance

## 21.09 NOTICES OF ENTITLEMENT AND DISALLOWANCE ACTIONS

a. When VA determines which claimant is entitled to the proceeds of the insurance policy, the claim of the unsuccessful claimant and other interested parties will be formally disallowed by letter. The unsuccessful claimant will be allowed 60 days from the date of letter of disallowance within which to initiate an appeal to the Board of Veterans Appeals (BVA) or submit notice of intent to file suit in federal district court. The unsuccessful claimant also has six years to formally appeal the decision to the U.S. District Court of jurisdiction. The letter notifying the unsuccessful claimant (or their representative) will include a VA Form 20-0998, Your Right to Seek Review of Our Decisions, which outlines the review options available for a contested claim. The form also advises the claimant to contact the VA call center or go to the VA website to obtain the VA Form 10182, Decision Review Request: Board Appeal (Notice of Disagreement) to appeal to BVA.

b. If a notice of disagreement or notice of intent to file suit is not received by BVA by the 60th day, payment will be authorized to the successful claimant. The 60 day time period specified is for the receipt of, and not the postmark of the notification.

c. The letter notifying the successful claimant (or their representative) will explain that the recipient was found entitled as a beneficiary of the Veteran's insurance; however, payment(s) cannot yet be released as at least one unsuccessful claimant at this time has 60 days to appeal their disapproved decision.

    1. If the unsuccessful claimant does not utilize any of the review options, the initial amount due will be paid at the end of the 60 days.

    2. Prior to payment, the employee should check Caseflow and VBMS to ensure that the unsuccessful claimant has not filed an appeal with BVA that was not previously reported.

    3. If the unsuccessful claimant does file an appeal with BVA, the successful claimant will be informed in a timely manner, so the necessary steps to protect their interest may be taken.

d. If a contested claim is received at the Insurance Center in error it will be forwarded directly to BVA following the procedures outlined in M29-1, Part IV, Chapter 7, Section 7.06(f).

e. When settlement to the principal beneficiary is disallowed because of involvement in the insured's homicide, the contingent beneficiary will be notified by letter at the time the formal disallowance is sent to the principal beneficiary. The letter will explain the basis for the disallowance and the fact that the principal beneficiary has appeal rights.

***References:***

- M29-1, Part IV, Chapter 7, Section 7.06(f): Processing Requests for Supplemental Claims Review, Higher-Level Review and Appeals to the Board of Veterans Appeals

*Forms*

- VA Form 20-0998, Your Right to Seek Review of Our Decisions
- VA Form 10182, Decision Review Request: Board Appeal (Notice of Disagreement)

## 21.10 LITIGATION

a. When a statement of intention to file suit is received, the successful claimant will be notified and action on the claim will be deferred until litigation has been completed.

b. If a suit has not been filed prior to the expiration of the 60-day period, the unsuccessful claimant will be informed that action will be taken to authorize settlement of the insurance to the successful claimant.

c. If suit is not instituted within such time or satisfactory reason given for failure to do so, the insurance will be settled in favor of the successful claimant and the unsuccessful claimant advised of the settlement. The successful contesting claimant will be advised of the status of their claim whenever a letter is written to the unsuccessful claimant or settlement is deferred.

## 21.11 CONTESTED CLAIMS FILED SUBSEQUENT TO APPROVAL OF AWARDS

a. Payments on a running award should not be suspended solely because a claim, formal or informal, is received from some person other than the payee. The suspension should be approved only if the facts in the case indicate that there is a possibility that the second claimant may prove entitlement to all, or part of the benefits already awarded.

b. The second claimant should be sent a letter explaining the reason the award is being made to the person receiving payments. The letter will also state that if a contest of payment to the other person is being considered, any evidence that would justify a contrary finding should be forwarded immediately.

## 21.12 CONTESTED CLAIMS RECEIVED AFTER PAYMENT TO THE BENEFICIARY OF RECORD

38 CFR 8.19 provides that any payment made before a proper notice of designation or change of beneficiary is received by VA will be deemed to have been properly made and fully satisfy the obligation of the United States to the extent of such payment. This does not mean that a claim received after settlement should be summarily dismissed without right of Notice of Disagreement to BVA or suit to the U.S. District Court of jurisdiction. It is not practical nor desirable to delay settlement to beneficiaries of record because contests might arise after settlement. The procedure for handling cases when settlement has been made will be as follows:

a. Settlement made in one sum:

1. When payment has been made in a lump sum and a subsequent claim is received, the claimant will be notified that settlement has been made to the beneficiary of record and advised that their claim will be considered withdrawn unless VA is notified of intent to protest accompanied by supporting documentation for protest within 60 days. The subsequent claimant will also be informed that the policy provides that any payment made before proper notice of change of beneficiary is received by VA satisfies fully the obligation of the United States to the extent of such payment.

2. If correspondence is received from the subsequent claimant protesting the payment with a statement of grounds for protest, the beneficiary of record will be advised of the claim and requested to submit any evidence to establish entitlement within 60 days. No request for the return of the monies already paid will be made until it has been determined that the subsequent claimant is entitled to the proceeds.

3. If the first beneficiary relies on the record and the subsequent claimant's evidence does not establish the fact that the insured took affirmative action to notify VA, nor did a search of records reveal a change of beneficiary, the claim will stand in favor of the beneficiary of record. Letters will be mailed to the parties concerned as outlined in M29-1, Part VI, Chapter 21, Section 21.09.

**NOTE**: If it is found in a case of this type, that the insured had notified VA to change the beneficiary in favor of the subsequent claimant (the change of beneficiary was lost or misfiled), full payment will be made to the subsequent claimant regardless of whether or not the beneficiary of record returned the payment. However, the beneficiary of record has all the rights, e.g. waiver, appeal on waiver, appeal to BVA, or to file suit. Payment to the subsequent claimant will be delayed if the beneficiary of record submits an appeal to BVA or files a notice of intent to file suit or actually files suit.

b. Settlement made in monthly installments:

1. When payment of monthly installments to the beneficiary of record has commenced and a subsequent claim is received, the claimant will be advised of settlement as outlined in M29-1, Part VI, Chapter 21, Sections 21.11 and Section 21.12 (a)(1).

***References:***

- 38 CFR 8.19: Beneficiary and optional settlement changes
- M29-1, Part VI, Chapter 21, Section 21.09: Notice of Entitlement and Disallowance Actions
- M29-1, Part VI, Chapter 21, Section 21.11: Contested Claims Filed Subsequent to Approval of Awards
- M29-1, Part VI, Chapter 21, Section 21.12a(1): Contested Claims Received after Payment to the Beneficiary of Record

## 21.13 CONTESTED CLAIMS INVOLVING A MINOR

a. When a claim is filed by a custodian or fiduciary on behalf of a minor and the last beneficiary designation of record designates that same minor, review the record for a current VA Form 21P-555, Certificate of Legal Capacity to Receive and Disburse Benefits

and Fee Authorization, naming that custodian as legal agent for the minor. If no current VA Form 21P-555 is of record, a VA Form 21-592, Request for Appointment of a Fiduciary, Custodian, or Guardian, will immediately be released to the fiduciary hub of jurisdiction. Do not wait until the conclusion of any contest before releasing the VA Form 21-592.

b. When a fiduciary files a claim for a minor who is not the last-named beneficiary of record, the claim should be adjudicated and appeal rights given per M29-1, Part VI, Chapter 21, Section 21.09.

***References:***

- 38 U.S.C. 5104: Decisions and notices of decisions
- 38 CFR Part 20, Subpart F: Legacy Appeal in Simultaneously Contested Claims
- M29-1, Part VI, Chapter 21: Contested Claims

*Forms*

- VA Form 21P-555, Certificate of Legal Capacity to Receive and Disburse Benefits and Fee Authorization
- VA Form 21-592, Request for Appointment of a Fiduciary, Custodian

## Key Changes

| | |
|---|---|
| **Rescissions** | M29-1, Part 6, Chapter 22 is being removed in its entirety as it is no longer applicable to the Insurance programs. |
| **Authority** | By Direction of the Under Secretary for Benefits |
| **Signature** | |
| | Timothy Sirhal, Acting Director<br>Insurance Service |
| **Distribution** | LOCAL REPRODUCTION AUTHORIZED |

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## Part VI Chapter 23 - Gratuitous Insurance (ARH) Granted Under 38 U.S.C. Section 1922(b)


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**Publication Date**: October 29, 2021

### 23.01 GENERAL

a. Title 38, United States Code, Section 1922(b) provides that gratuitous NSLI may be granted to mentally incompetent Veterans who were otherwise eligible to be granted S-DVI insurance, but due to the mental incompetency died without filing an application. It permits payment of insurance in cases when death has occurred before or after a VA rating, provided a claim is timely filed. Claims for ARH cannot be filed after December 31, 2022.

b. When correspondence is received with or without a formal claim, or a specific inquiry is made by or on behalf of a beneficiary within the permitted class, the possibility of entitlement to ARH insurance will be developed as outlined in this chapter.

c. The probability of survivors having knowledge of potential insurance benefits under this section is not readily apparent. Likewise, the chance that gratuitous insurance may be payable is not evident until a rating decision of mental incompetency is made by the regional office of jurisdiction. Therefore, discretion will be used to recognize and fully develop cases which may be eligible for payment of gratuitous insurance under this section.

d. The responsibility for a determination of mental incompetency is as follows:

1. Mental Incompetency Determinations Prior to Death of Insured: Rating Activity of the Regional Office of jurisdiction.

2. Mental Incompetency Determinations After Death of Insured: Rating Activity of Station 310. See M29-1, Part I, Chapter 13.

e. The Live Claims Section has final authority to determine insurability for ARH cases.

***References:***

- 38 U.S.C. 1922: Legacy Service-Disabled Veterans' Insurance
- M29-1, Part I, Chapter 13: General Information Pertaining to Underwriting Actions

## 23.02 BASIC DETERMINATIONS OF ELIGIBILITY

a. Basic eligibility requirements must be determined by the Live Claims Section before a decision can be requested from the Rating Activity as to whether the Veteran was suffering from a service-connected mental incompetency during the legally required period. A rating decision WILL NOT be requested when the records show that:

   1. The Veteran died prior to April 25, 1951;

   2. The Veteran was released from a final period of service prior to April 25, 1951;

   3. The Veteran was separated from service under dishonorable conditions; or

   4. The guardian was appointed more than 2 years prior to the Veteran's death.

b. When any of the above conditions exist, a letter will be released to the claimant advising that the Veteran is not eligible under the law. The specific reason for disapproval will be given. (See par. 23.07)

c. If the Veteran meets basic eligibility requirements for gratuitous insurance, it must be shown by satisfactory evidence that the Veteran was:

   1. mentally incompetent from a service-connected disability

      (a) at the time of release from active service; or

      (b) during any part of the two-year period from the date the Veteran is notified of a new service-connected disability as determined by VA and prior to December 31, 2022; or

      (c) after release from active service but is not rated service-connected disabled by the Secretary until after death; and

   2. remained continuously so mentally incompetent until date of death; and

3. died before the appointment of a guardian, or within two years after the appointment of a guardian.

d. Any person who qualifies for gratuitous insurance under the above conditions will be deemed to have applied for and been granted such insurance, as of the date of death, in an amount which, together with any other USGLI or NSLI in force, will aggregate $10,000. Additionally, 38 CFR 8.34 prohibits a person granted ARH from obtaining Supplemental Service-Disabled Veterans' Insurance. By law, no such gratuitous insurance can be issued after December 31, 2022.

***References:***

- M29-1, Part VI, Chapter 23, Section 23.07: Disallowed Claim
- 38 CFR 8.34: Ineligibility for Insurance Under 38 U.S.C. 1922A (Legacy Supplemental Service-Disabled Veterans Insurance) if Person Insured Under 38 U.S.C. 1922(b)
- 38 U.S.C. 1922: Legacy Service-Disabled Veterans' Insurance

## 23.03 PERSONS ENTITLED TO PROCEEDS OF INSURANCE UNDER TITLE 38, UNITED STATES CODE, SECTION 1922(b)

a. Section 1922(b) authorizes the payment of the insurance to a restricted class of beneficiaries in the following order of preference:

1. The widow or widower of the insured, if living, and while unremarried.

2. If no widow or widower, to the child or children of the insured, if living, in equal shares.

3. If no widow, widower, or child, to the parent or parents of the insured who last bore that relationship, if living, in equal shares.

b. The term widow or widower is restricted to a lawful spouse of the insured at date of death, if living, and while unremarried. A person entitled to death benefits by reason of a deemed valid marriage under 38 U.S.C. 103 is not excluded, unless they remarry. The term child or children is restricted to legitimate or adopted children. A stepchild or illegitimate child is excluded. A stepparent, as such, is also excluded. The term parent or parents includes an adoptive parent or foster parent who stood in loco parentis to the insured and who last bore that relationship.

c. Evidence of death of the insured and proof of death of any person in a higher order of precedence than the claimant will be required, or proof of remarriage of widow/widower. Proof of relationship of a beneficiary to the insured should be based on 38 CFR 8.20, and 38 CFR 3.

***References:***

- 38 U.S.C. 1922: Legacy Service-Disabled Veterans' Insurance
- 38 CFR 8.20: Proof of Death, Age, Relationship, and Marriage
- 38 CFR 3: Adjudication

## 23.04 TIME ALLOWED FOR FILING A CLAIM

a. No request for payment of gratuitous insurance will be accepted unless such a request is filed within two years after the date of death of the insured or prior to December 31, 2022, whichever comes first. Satisfactory evidence as to the relationship of the claimant must be proved as of the date of the death of the insured. Persons shown by satisfactory evidence to have been mentally or legally incompetent at the time the right to apply for death benefits under ARH expires may make such application within one year after the removal of such disability to file a timely claim.

b. If the Veteran's widow/widower fails to file a claim within the two-year statutory period or prior to December 31, 2022, although fully entitled to benefits during the entire period, a child of the Veteran may file a claim within any time up to one year after attaining the age of majority, however, the claim must be received prior to December 31, 2022.

## 23.05 METHOD OF PAYMENT

Under 38 USC 1922(b)(4), payment of ARH benefits will be authorized as one sum payment only.

***References:***

- 38 U.S.C. 1922: Legacy Service-Disabled Veterans' Insurance

## 23.06 PROCESSING OF A CLAIM

Processing of claims will follow the procedures set forth in M29-1, Part I, Chapter 15.06.

***References:***

- M29-1, Part I, Chapter 15, Section 15.06: Issuance

## 23.07 DISALLOWED CLAIM

a. When a claim for gratuitous insurance has been disallowed, a letter will be sent to the claimant and all interested persons furnishing a full and adequate explanation for the action taken and appeal rights.

b. The standard appeals paragraphs will be used (with substitution of a 60-day appeal period in contested claims). When the evidence indicates there are individuals within the next permitted class of beneficiaries, these individuals will be notified of their possible entitlement and the case will be treated as a contested claim.

b. If a claim has been disallowed based on the determination by the Rating Activity that the person was not mentally incompetent under 38 U.S.C. 1922(b), the claimant will be advised as to the reason for disapproval and their right to appeal the decision made by the Rating Activity, but that such an appeal must be made to the Regional Office of

jurisdiction. The address of the VA Regional Office of jurisdiction will be included in the letter.

***References:***

- 38 U.S.C. 1922: Legacy Service-Disabled Veterans' Insurance

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## Part VI Chapter 24. Incompetency Determinations for Insurance Beneficiaries


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| 24.04 | Procedure When Beneficiary Has Already Been Rated Incompetent |


**Publication Date**: March 20, 2020

### 24.01 GENERAL

VA has resolved to give every beneficiary the right to an individual evaluation of the facts in cases alleging his or her incompetence. The right to due process will be afforded every beneficiary of Government Life Insurance.

### 24.02 PROCEDURE

When any information is received alleging that a beneficiary may be incompetent (either prior to making an award or during a running award) the Death Claims Section will request a rating determination on incompetency from the Philadelphia Rating Activity using Form 2105. Whenever available, the following information will be included with the request:

a. All information from electronic VA Systems relating to the case, including the VA claim and policy numbers of the insured which might have been assigned to the beneficiary in connection with an earlier claim for any other VA benefit.

b. The mode and amount of the insurance proceeds payable.

c. The name and most recent address of the beneficiary.

d. Material which initiated the request for the incompetency determination.

e. Names and addresses of any next of kin of the beneficiary.

f. If the beneficiary is determined incompetent by the Philadelphia Rating Activity, a VA Form 21-592, Request for Appointment Fiduciary, Custodian or Guardian, will be prepared and sent to the Fiduciary Hub of jurisdiction.

## 24.03 SPECIAL INSTRUCTIONS

All development and correspondence involving these cases, including any processing necessary for possible appeals, will be the responsibility of the Philadelphia Rating Activity.

## 24.04 PROCEDURE WHEN BENEFICIARY HAS ALREADY BEEN RATED INCOMPETENT

When there is evidence that the beneficiary has already been rated incompetent by the Rating Activity, the beneficiary will be considered to have been given due process. In such cases, a VA Form 21-592 will be sent directly to the Fiduciary Hub having jurisdiction over the area where the beneficiary resides. Included with the VA Form 21-592 should be any of the appropriate information listed in paragraph 24.02.

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# Part VI Chapter 25. Invitation to Claims for Disability Insurance Benefits After Death of Insured


| Subsection | Name |
|---|---|
| 25.01 | General |
| 25.02 | Situations in Which a Claim Should Not Be Invited Regardless of Age |
| 25.03 | Insured's Age on the Date of Death |
| 25.04 | Lapsed Insurance |


**Publication Date**: March 20, 2020

## 25.01 GENERAL

a. When it is determined that an insured who is deceased was eligible for Disability Insurance benefits prior to his or her death, the beneficiary(ies) of the policy are eligible to receive the benefits.

b. Upon adjudication of the claim for the proceeds of the insurance, the Claims Examiner (CE) or Claims Adjustment Technician (CAT) will determine whether or not a claim for Disability Insurance benefits should be invited/approved.

   1. If the evidence of record is sufficient to prove total disability, the disability insurance benefits will be approved without further development.

   2. If the evidence of record is not sufficient to prove total disability, the CE or CAT will send a letter and VA Form 29-357 to the beneficiary(ies).

***References:***

*Forms*

- VA Form 29-357, Claim for Disability Insurance Benefits

## 25.02 SITUATIONS IN WHICH A CLAIM SHOULD NOT BE INVITED REGARDLESS OF AGE

a. The premiums were already being waived at the time of the Veteran's death.

b. The insurance was paid up more than one year prior to the date of a Veteran's death. (Exception: If a TDIP Rider was in force at the time of death.)

c. The insurance lapsed more than one year prior to the date of the Veteran's death and the full proceeds were paid under the extended insurance provision.

## 25.03 INSURED'S AGE ON THE DATE OF DEATH

Disability Insurance benefits are granted only if the onset of the disability occurred prior to the insured's 65th birthday. When determining whether or not a claim for disability should be invited, the following factors will be considered:

a. If, upon death, the insured was age 65 or under, and none of the situations described in paragraph 25.02 existed, then a claim should be invited even if there is no indication of the date of onset of the chronic condition.

b. If, upon death, the insured was over age 65, and none of the situations described in paragraph 25.02 existed, then a claim should be invited if and only if the medical evidence indicates that the onset of the chronic condition occurred prior to the insured's 65th birthday. If the insured was under age 70, and the evidence indicates that the condition has been chronic for "years", that will be sufficient indication to invite a claim.

## 25.04 LAPSED INSURANCE

a. If the insurance lapsed within one year of the date of death and none of the situations described in paragraph 25.02 existed, then a claim should be invited.

b. If the insurance lapsed over one year prior to the date of death and none of the situations described in paragraph 25.02 existed, the case should be referred to the Live Claims section for possible invitation.

# Appendix A

## AGE OF MAJORITY

## LIST OF STATES AND TERRITORIES

The following table shows the age of majority and minimum age of emancipation for the United States and related territories.

NOTE 1: Unless otherwise noted, all ages refer to both male and female.

NOTE 2: References to military enlistment are for age 17, the minimum age for military duty.

NOTE 3: Self- support refers to evidence which shows that the person is financially independent of and out of their parental household.

NOTE 4: Emancipation age and determination method reflect the minimum age and the method of proof (i.e. court order, military enlistment, marriage, case by case, court order, etc.)

NOTE 5: No specific age means there is no general emancipation statute in the state referenced. Factors to consider: (1) marriage, (2) reaching the age of majority, (3) entering military service, (4) court order, or (5) through parental consent.

| ***State or Territory*** | ***Age of Majority (This is the age at which an individual is considered an adult.)*** | ***Minimum Age of Emancipation (Emancipation is when certain rights of adulthood are granted to a person who is under the age of majority)*** | ***Determination Method for Emancipation (The evidence that the emancipated minor needs to submit to prove emancipation.)*** |
|---|---|---|---|
| *Alabama* | *19 Code of Ala. § 26-1-1(a)* | *18 Code of Ala. § 26-13-1* | *Court Order* |
| *Alaska* | *18 Ala. Stat. § 25.20.010* | *16 Ala. Stat. § 09.55.590* | *Court Order* |
| *Arizona* | *18 A.R.S. § 1-215 (19)* | *16 A.R.S. § 12-2451(A)* | *Court Order (i.e. proof of self-support*)* |
| *Arkansas* | *18 A.C.A § 9-25-101(a)* | *16 A.C.A. § 9-26-104* | *Court Order* |

| | | | |
|---|---|---|---|
| *California* | *18*<br>*Cal. Fam. Code § 6500* | *14*<br>**Cal Fam. Code § 7120 and 7002** | *Court Order*<br>*Marriage*<br>*Military Enlistment** |
| *Colorado* | *21*<br>*C.R.S. § 2-4-401(6)* | *No specific age**<br>C.R.S. § 19-1-103(8) & (45); C.R.S. § *19*-2-511 | Marriage<br><br>Military Enlistment*<br><br>Self-support* |
| *Connecticut* | *18*<br>*Conn. Gen. 1-1d* | *16*<br>*Conn. Gen. 46b-150* | *Marriage*<br>*Military Enlistment**<br>*Self-support*/Good Cause (with court order)* |
| *Delaware* | *18*<br>*1 DEL. C. § 701* | *Individual court case-by-case decision* | *None* |
| *District of Columbia* | *18*<br>*D.C. Code § 46-101* | *Individual court case-by-case decision* | *None* |
| *Florida* | *18*<br>*Fla. Stat. 743.07* | *16*<br>*Fla. Stat. 743.01*<br>*Fla. Stat, 743-015* | *Marriage*<br>*Court Order* |
| *Georgia* | *18*<br>*O.C.G.A. § 39-1-1* | *16*<br>*O.C.G.A.§15-11-720* | *Marriage*<br>*Military Enlistment**<br>*Court Order* |
| *Guam* | *18*<br>*7 GCA§ 39102(b)*<br>*7 GCA § 39A102(a)* | *17*<br>*19 GCA § 4A101(e)*<br>*19 GCA § 3102* | *Marriage* |
| *Hawaii* | *18*<br>*HRS § 577-1* | *16*<br>*(15 if the parties have "written approval" from the family court)*<br>*HRS § 572-1*<br>*HRS § 577-25* | *Marriage* |
| *Idaho* | *18*<br>*Idaho Code § 32-101* | *No specific age**<br>*Idaho Code §41-1807* | *Marriage* |
| *Illinois* | *18*<br>*755 ILCS 5/11-1* | *16*<br>*750 ILCS 30/3-2*<br>*750 ILCS 30/5* | *Court Order* |
| *Indiana* | *19* | *18* | *Court Order*<br>*Marriage* |

| | | | |
|---|---|---|---|
| | *Burns Ind. Code Ann.* § 31-16-6-6(a) | *Burns Ind. Code Ann.* § 31-16-6-6 | *Military Enlistment**<br>*Not a school child for prior four months* |
| *Iowa* | *18*<br>*Iowa Code 599.1* | *16*<br>*Iowa Code*<br>*§ 232C.1 and*<br>*§ 232C.3*<br>*§ 599.1* | *Court Order*<br>*Marriage*<br>*Conviction as an adult* |
| *Kansas* | *18*<br>*K.S.A. § 38-101* | *16*<br>*K.S.A. § 38-101* | *Marriage* |
| *Kentucky* | *18*<br>*KRS § 2.015* | *No specific age**<br>*KRS § 403.213* | *Marriage*<br>*Court Order*<br>*Proof of Self-Support**<br>*Parental Consent* |
| *Louisiana* | *18*<br>*La.C.C. Art. 29* | *15 or 16*<br>*La. C.C. Art. 368*<br>*La.C.C. Art. 366*<br>*La. C.C. Art. 367*<br>*LA. R.S. § 46:445* | *Parental Consent (Age 15)*<br>*Court Order (Age 16)*<br>*Marriage* |
| *Maine* | *18*<br><br>*1 M.R.S. § 72(1) & 73* | *16*<br>*19-A M.R.S. § 652*<br>*15 M.R.S. § 3506-A* | *Marriage*<br>*Court Order* |
| *Maryland* | *18*<br>*Md. General Provisions Code Ann. § 1-401* | *15 to 17*<br>*Md. Family Law Code Ann. § 2-301* | *Military Enlistment**<br>*Marriage (if self-supporting*)*<br>*Pregnancy (if self-supporting*)* |
| *Massachusetts* | *18*<br>*ALM. GL. CH. 231 § 85P* | *No Specific Age**<br>*Mas. App. Cy. Apr. 1, 1991), 30 Mass. App. Ct. 418, 569 N.E.2d 406, 1991 Mass. App. Lexis 214.* | *Court Order* |
| *Michigan* | *18*<br>*MCLS § 722.1(a)* | *16*<br>*MCLS § 722.4 and § 722.4c(2)(b)* | *Marriage*<br>*Military Enlistment**<br>*Court Order* |

| | | | |
|---|---|---|---|
| *Minnesota* | *18*<br>*Minn. Stat.*<br>*§ 645.45* | *Individual court case-by-case decision* | *None* |
| *Mississippi* | *21*<br>*Miss. Code Ann.*<br>*§ 1-3-21 & §1-3-27* | *No specific age**<br>*Miss. Code Ann.*<br>*§ 93-19-3 and § 93-11-65(8)*<br>*See* child support statutes) | *Court Order*<br>*Marriage*<br>*Military Enlistment**<br>*Convicted of a felony with a 2year sentence*<br>*Stops school at age 18*<br>*Cohabitation with another without parental consent self-supported* and not in school* |
| *Missouri* | *18*<br>*Common Law unless an exception applies under Mo. Rev. Stat. § 452.340.4 and 452.340.5*<br><br>*17*<br>*Mo. Rev. Stat.*<br>*§ 442.040.3*<br>*(child support statutes)* | *No specific age**<br>*Mo. Rev. Stat. § 452.340*<br>*(See Comment)* | *Marriage*<br>*Express or implied parental consent*<br>*Military Enlistment** |
| *Montana* | *18*<br><br>*§ 41-1-101, MCA*<br>*§ 41-3-102(6), MCA* | *16*<br>*41-1-501, MCA*<br>*§ 40-6-234(2), MCA*<br>§ 41-3-102 (15), MCA | *Court Order* <u>and</u><br>*Proof of Self-Support**<br>*Marriage*<br>*Limited emancipation – (see 41-1-501 for additional information)* |
| *Nebraska* | *19*<br>*R.R.S. Neb.*<br>*§ 43-2101* | *No specific age**<br>*R.R.S. Neb. § 43-2101* | *Marriage (including Common Law)*<br>*Military Enlistment**<br>*Court Order* |
| *Nevada* | *18*<br>*Nev. Rev. Stat. Ann. § 129.010* | *16*<br>*Nev. Rev. Stat. Ann. § 129.080 and 129.090* | *Marriage*<br>*Court Order* |
| *New Hampshire* | *21*<br>*RSA § 21-B:1* | *No specific age**<br>RSA §132:32(IV) | *Marriage*<br>*Court Order* |

| | | | |
|---|---|---|---|
| | | | *Military Enlistment*<br>*Parental Consent* |
| *New Jersey* | *18*<br>*N.J. Stat.*<br>*§ 9-17B-1*<br><br>*N.J. Stat.*<br>*§ 9-17B-3* | *No specific age* other than under 18 (General Provisions)*<br>*N.J. Stat. § 2C:25-19(e)* | *Marriage*<br>*Military Enlistment**<br>*Pregnant or had a child*<br>*Court Order or Administrative agency determination* |
| *New Mexico* | *18*<br>*N. M. Stat. Ann. 28-6-1* | *16 or older*<br>*N. M. Stat. Ann. 32A-21-3* | *Marriage*<br>*Military Enlistment**<br>*Court Order* |
| *New York* | *18*<br>*NY CLS Dom Rel §2*<br>*NY CLS Gen Oblig. §1-202* | *Individual court case-by-case decision* | *None* |
| *North Carolina* | *18*<br>*N.C. Gen Stat.*<br>*§ 48A-2* | *16*<br>*N.C. Gen. Stat.*<br>*§7B-3500* | *Court Order* |
| *North Dakota* | *18*<br>*N.D. Cent. Code § 14-10-01*<br><br>Also see *N.D. Cent. Code § 14-09-20:*<br>*End of parental authority* | *16*<br>*N.D. Cent. Code § 14-09-20*<br><br>*N.D. Cent. Code § 14-09-20* | *Marriage*<br>*Court Order*<br>*Proof of Self-Support** |
| *Ohio* | *18*<br>*ORC Ann. 3109.01* | *Individual court case-by-case decision* | *None* |
| *Oklahoma* | *18*<br>*15 OKL. St § 13.* | *No specific age** | *Court Order*<br>*Marriage* |
| *Oregon* | *18*<br>*ORS. §109.510* | *No Specific age**<br>*ORS § 109.520*<br>*ORS § 419B.552* | *Marriage*<br>*Court Order* |
| *Pennsylvania* | *21*<br>*1 Pa.C.S. § 1991* | *No specific age** | *Marriage*<br>*Military Enlistment** |
| *Puerto Rico* | *21* | *No specific age** | |

| | | | |
|---|---|---|---|
| | *31 L.P.R.A § 971* | *31 L.P.R.A § 901(2)*<br><br>*31 L.P.R.A. § 912 & 9139*<br>*31 L.P.R.A. §91* | *Marriage*<br>*Court Order*<br>*Parental Consent after 18* |
| *Rhode Island* | *18*<br>*R.I. Gen. Laws § 15-12-1* | *Individual court case-by-case decision*<br><br>Pardey v. American Ship Windlass Co. *34 A. 737 (1896)* | *None* |
| *South Carolina* | *18*<br>*S.C. Code Ann. § 15-1-320* | *No specific age**<br>*S.C. Code Ann. § 63-3-530(17)* | *Court Order*<br>*Marriage*<br>*Self-Support** |
| *South Dakota* | *18*<br>*S.D. Codified Laws §26-1-1* | *16S.D. Codified Laws §25-5-24 and §25-5-26 and §25-5-19; §26-2-1 et. seq. and §26-2-3.* | *Marriage*<br>*Military enlistment**<br>*Court Order*<br>*Parental Consent* |
| *Tennessee* | *18*<br>*Tenn. Code Ann. § 1-3-105(1)* | *No specific age**<br>*Tenn. Code Ann. § 29-31-101* | *Court Order* |
| *Texas* | *18*<br>*Tex. Civ. Prac. & Rem. Code §129.001* | *16 or 17*<br>*Tex. Fam. Code §31.001; §31.005; §31.006; §1.104* | *Proof of Self Support* at 16*<br>*Resident status with Court Order at 17*<br>*Marriage* |
| *Utah* | *18*<br>*Utah Code Ann. §78B-12-219*<br>*Utah Code Ann. §30-1-9* | *16*<br><br>*Utah Code Ann. §78A-6-803(1)(a)*<br><br>*(Utah Code Ann. §78B-12-219)*<br><br>*(Utah Code Ann. § 78A-6-803 &* | *Marriage*<br>*Court Order* |

| | | | |
|---|---|---|---|
| | | *§78A-6-804)* | |
| *Vermont* | *18*<br>*1 V.S.A. §173* | *16*<br>*12 V.S.A.*<br>*§7151(b)(1) and*<br>*§7155* | *Marriage*<br>*Military enlistment**<br>*Court Order*<br>*Proof of Self-Support**<br>*with High School*<br>*Diploma or GED*<br>*certification* |
| *Virgin Islands* | *18*<br>*16 V.I.C. § 261* | *16*<br><br>*16 V.I.C. §221*<br>*16 V.I.C. §231*<br>*16 V.I.C. §241*<br>*16 V.I.C. §251*<br>*16 V.I.C. §254*<br>*16 V.I.C. §232* | *Marriage*<br>*Court Order*<br>*Parental Consent* |
| *Virginia* | *18*<br>*Va. Code Ann.*<br>*§ 1-204* | *16*<br>*Va. Code Ann.*<br>*§ 16.1-331*<br>*and*<br>*§ 16.1-333* | *Court Order*<br>*Marriage*<br>*Military Enlistment**<br>*Proof of Self Support** |
| *Washington* | *18*<br>*Rev. Code. Wash.*<br>*§ 26.28.010* | *16*<br>*Rev. Code. Wash.*<br>*§13.64.010*<br>*and*<br>*§13.64.020* | *Court Order* |
| *West Virginia* | *18*<br>*W.Va. Code §2-2-*<br>*10* | *16*<br>*W.Va. Code*<br>*§49-4-115* | *Married*<br>*Court Order with proof*<br>*of Self-Support** |
| *Wisconsin* | *18*<br>*Wis. Stat.*<br>*990.01(3)* | *16*<br>*Wis. Stat. 765.02* | *Marriage* |
| *Wyoming* | *18*<br>*Wyo. Stat.*<br>*§ 14-1-101* | *17*<br>*Wyo. Stat.*<br>*§ 14-1-201*<br>*§ 14-1-202*<br>*§ 14-01-203* | *Marriage*<br>*Military Enlistment**<br>*Proof of Self-Support**<br>*with parental consent*<br>*to live apart from*<br>*parents* |

# Part VII – Insurance Quality Control Procedures


| Section | Name |
|---|---|
| Chapter 1 | General |
| Chapter 2 | Accuracy |
| Chapter 3 | Timeliness |
| Chapter 4 | Systematic Analyses |
| Appendix A | SQC Error and Discrepancy Sheet Listing |

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## Part VII Chapter 1 – General


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**Publication Date:** July 9, 2021

### 1.01 PURPOSE AND SCOPE

a. The basic aim of insurance quality control is the improvement and maintenance of quality at the highest levels which the various insurance work processes are capable of producing, within available resources.

b. Regular supervision and training are basic to effective quality control and improvement. There are various methods used by the Insurance activity to improve quality. These include supervisory spot checks, 100 percent reviews, analyses of complaints, sampling of the work produced, customer surveys, and Quality Improvement teams.

c. Of the various methods, sampling is the one most widely used in the Insurance activity for quality control purposes. It has the advantage of economy and speed in feeding back information on quality. Since drawing inferences about quality levels from samples is a basic function of statistics, it is termed SQC (statistical quality control). The purpose here is to furnish procedures for its application in certain high volume and largely repetitive areas of the Insurance activity.

d. It is not the intent that SQC displace any of the other supervisory tools. Rather, it is designed to supplement it with the focus at the higher organizational level.

e. In all areas, whether or not covered in this manual, the various levels of supervision are expected:

1. To know and report upward the quality of work items being produced.

2. To conduct reviews to determine areas where deficiencies may exist.

3. To issue special instructions, train individual employees or groups, recommend procedural changes when indicated, or take whatever other action is necessary to ensure quality work performance.

## 1.02 INSURANCE QUALITY CONTROL ELEMENTS

Quality standards are comprised of Errors and Discrepancies, as discussed below:

**Errors**

An error is an action which adversely affects the Veteran, the insured, the beneficiary, the payee, third party customers, stakeholders, or the financial health of the insurance program.

To be considered an error, the action must be incorrect based on the law, regulations, manuals, circulars, or statement of procedures (SOPs) issued by appropriate Insurance Management for the action in question. An action that is incorrect, but does not materially impact the provision of benefits, amount of insurance, premiums, or other substantive aspect of the legally required benefits, is not an error. The end product selected for review must be processed according to established guidelines, without reviewer prejudice.

Errors should be charged against the SQC worksheet line code number which they most nearly resemble. Only if totally unrelated to any of the defect line codes will an item be listed as an unclassified error.

**Discrepancies**

A discrepancy is an action or omission, the effect of which is minor or administrative. It cannot have direct, substantive, or immediate impact on the benefits payable, the Veteran, the insured, the beneficiary, the payee, third party customers, stakeholders, or the financial health of the insurance program.

To be considered a discrepancy, the action must not rise to the substantive level of an error but may negatively impact the image of the organization or confuse the customer.

Discrepancies should be charged against the SQC worksheet line code number which they most nearly resemble. Only if totally unrelated to any of the defect line codes will an item be listed as an unclassified discrepancy.

## 1.03 STATISTICAL QUALITY CONTROL

SQC is a technique for detecting, by statistical means, the presence of systematic or non-random variations in quality in the output of a process. This makes possible the reduction or elimination of these quality variations to an acceptable level, leaving the remaining variation due to chance causes. A process operating within a stable range of chance causes is said to be statistically under control.

## 1.04 ESSENTIALS OF SQC

a. Effective quality control does not stop with simply measuring the error rate. Nor does it end with on-the-spot correction of an error. The key to successful SQC is feedback of information to the training and planning phases, to remove the causes of error in future work products. An effective system must include a valid sampling plan, quality indicators, information feedback, and action. The following forms are available for application of SQC to insurance operations:

1. Quality Review Exception Sheet.

2. Statistical Quality Control Summary Report (Error Classifications).

***NOTE:*** *Please refer to M29-1, Part VII, Appendix A for SQC Quality Control Exception Sheets and Summary Reports.*

b. There are additional essentials of reporting and validation. These topics are discussed under their respective headings.

***References:***

- M29-1, Part VII, Appendix A: SQC Error and Discrepancy Sheet Listing

## 1.05 SELECTION AND QUALITY REVIEW

a. Wherever possible, identification and selection of the cases to comprise a sample is performed by VA Insurance systems based on programmed random sampling logic.

b. For quality control purposes, completed cases are defined as those upon which all action possible has been taken, based on the material of record, and the Veteran/inquirer has

been informed as to his or her status. Interim and intermediate replies and/or cases susceptible to selection under this definition include:

1. Those going into diary on initial processing because of a further requirement (money, information, records, etc.). Pending cases will be noted PEND.

2. Cases undergoing final processing after receipt of requested requirements or as a result of diary call-up.

## 1.06 QUALITY WORKDAY

An SQC workday must be established to consistently maintain a 24-hour cycle. For example, an SQC workday established at 2 p.m. of one workday will run until 2 p.m. of the succeeding workday. The Assistant Director, Insurance Program Management Division will be responsible for establishing the starting time of the quality workday.

## 1.07 SAMPLING PLAN

a. Random sampling provides for the mathematical evaluation of the sampling error, and provides assurance as to the absence of bias in the selection of work units.

b. The procedure outlined here subjects all items of the work population to an equal probability of selection. It minimizes human influence in the selection of work units for quality review by use of predesignated control digits. The control digits change daily as explained below.

c. The basic plan utilizes the ready-made digit groupings of the established insurance numbering system. The primary, secondary, and final group of digits, going from right to left in the file insurance number, are used for the three selection functions of control, initial match, and final designation, respectively.

d. The listing control digits are derived from the last two digits (primary set) of the last file number selected by the VA Insurance system at the close of each quality workday. These govern selections for the following workday, commencing immediately at the cut off time, and change daily. Separate statistical quality review selection processes are maintained for each SQC survey within the VA Insurance system. Thus, each work process has its own selection control digits. The selection criteria for each SQC survey is listed in M29-1, Part VII, Chapter 4.

e. The selection proceeds from the right to the left in the insurance number. Therefore, all cases selected for the succeeding workday which bear the predesignated control digits in the secondary position (third and fourth from the end) are maintained by the VA Insurance system. These cases together with all related material constitute the initial selections; for further details, see M29-1, Part VII, Chapter 2.

f. The final selections are made from the extreme left digit groups of the cases designated as initial selections. The last two digits of this group are always used as a set. If a file number has less than six digits, each missing digit will be regarded as a zero. The highest and lowest numerical values of these sets are chosen in alternating sequence until a sufficient number of final selections have been gathered to satisfy sample size

requirements for the day. These values are chosen in accordance with the monthly sample size and the number of workdays in the current month. The high-low selection sequence will be preserved in continuity from one workday to the next.

g. To illustrate briefly the selection process, see the example below:

| | |
|---|---|
| Last file number at cutoff time: | RS 1234 17 38 |
| Cases encountered after cutoff time: | V 164 38 96 |
| | V***6*** 38 04 |
| | RH 10***98*** 38 55 |

Primary Set = Selection control ("38")

Single underscoring = Initial selections

***Bold and Italicized*** = Final selections for SQC

***References:***

- M29-1, Part VII, Chapter 4: Systematic Analyses
- M29-1, Part VII, Chapter 2: Accuracy

## 1.08 SAMPLE SIZES AND FREQUENCY

Unless otherwise specified, sample sizes are established at 100 monthly for each SQC program in the Policyholders Services entities; 100 monthly for each Death Claims related SQC program; 50 monthly for the Disability Claims programs; 50 monthly for Medical Determination end products; 50 monthly for Outreach end products, and 20 for VMLI. Selections will be made daily throughout all workdays of every month.

## 1.09 SELECTION BACKGROUND

VA Insurance system's logic identifies and selects completed cases matching the predesignated control digits automatically, using the applicable method for the work volume involved, as outlined in M29-1, Part VII, Chapter 2. For quality control purposes, completed cases are defined as those upon which all action has been taken based on the material of record, and the Veteran/insured/inquirer has been informed as to his or her status. Interim and intermediate replies and/or cases that may be selected under this definition include:

a. Those going into diary on initial processing because of a further requirement (money, information, records, etc.) from outside the processing office.

b. Cases undergoing final processing after receipt of requested requirements or as a result of a diary call-up.

***References:***

- M29-1, Part VII, Chapter 2: Accuracy

## 1.10 ACCUMULATION OF MONTHLY SAMPLE

The monthly volume of initial selections should range from 10 percent to 25 percent above the number of cases required for SQC review (dependent upon work volume, sample size, nature of work, and need). On a daily basis, deficits or excesses may be encountered and will be handled as stated below.

a. If fewer cases than required are available for that day, the deficit will be made up from the cases listed in subsequent selection period(s), which can occur as soon as the next day or as late as three days after the end of the review month. All cases listed as subject to SQC will be used until the required number of cases have been gathered to cover all existing deficits through that (current) date.

b. Automated SQC only selects the number of cases needed for review each day from completed work.

## 1.11 QUALITY REVIEWS FOR ACCURACY

a. Accuracy reviews will be conducted according to the error classifications on the VA Insurance system error classification interface (or SQC Summary Report), as detailed in M29-1, Part VII, Chapter 2.

b. The Insurance Program Management SQC Program Coordinator has the responsibility to see that the SQC surveys are conducted on the cases selected for review.

c. Insurance Program Management Division employees are responsible for conducting SQC Reviews. Individual reviewers are responsible for completing SQC case reviews based on the guidelines provided by the SQC Program Coordinator.

d. The Quality Review Exception Sheet will be completed for each deficiency, whether it be substantive or procedural in nature. The deficiency and its corrective action should be explained to the originator by his or her own first line supervisor rather than the reviewer, so that all concerned will derive maximum benefit from this information feedback.

***References:***

- M29-1, Part VII, Chapter 2: Accuracy

## 1.12 LOCAL VALIDATION

a. At the discretion of local management, validity and/ or reliability checks may be performed on each of the SQC surveys shown in M29-1, Part VII, Chapter 2. Validations will not be considered as substitutes for the regular quality reviews.

b. Validations should be considered when results for the last reporting month showed an accuracy rate/timeliness below the lower control limit (LCL), any survey showing zero errors, an accuracy rate/timeliness close to the upper control limit (UCL), or other conditions indicated in M20-2 Quality Control.

c. Sample sizes for validity checks should be the same size used for the monthly SQC. However, samples as small as 60 percent of the monthly SQC samples are acceptable.

d. A validity check is a review from an independent sample to ascertain whether or not the standard is being met and to determine if the SQC reporting is dependable. (An independent sample is one from the same listing used for that month's SQC review, using initial selections that were passed over during the original review, rather than by a second review of the same cases.)

e. A reliability check is the term used to describe reviews which are performed on the same cases selected in a previous SQC survey. Ordinarily, reliability checks are conducted only when a marked disparity is disclosed between a validity check, as described above, and the corresponding basic SQC review. A reliability check is not employed for determining percent in error. Rather, its purpose is to test the know-how and accuracy of the SQC reviewer(s) and any sampling technique deviations or distortions. Upper and lower control limits have no bearing. Evaluation of results is strictly a judgment matter.

f. Validity checks should consist of previously unreviewed, independent samples. Reliability checks should be composed solely of cases drawn from a previously conducted, final SQC survey sample. Unreviewed and previously reviewed samples will not be mixed together in the same check.

***References:***

- M29-1, Part VII, Chapter 2: Accuracy
- M20-2: Quality Control

## 1.13 RESPONSIBILITY FOR QUALITY REVIEWS

The Insurance Program Management Division (IPMD) is responsible for processing SQC. A designated IPMD staff member will be responsible for overseeing the SQC Program for the organization.

## 1.14 INSURANCE PROGRAM MANAGEMENT OPERATIONAL REVIEWS

IPMD staff will conduct Operational Reviews (OR) as needed. Areas of review include both traditional end products now being reviewed under the SQC programs and other areas not reviewed on a formal basis. The OR process will serve as a "spot check" on operational procedures. Review samples will be taken on a random basis from pending and completed work products. If possible, samples from the daily SQC listings that are chosen for review will be used. Other sources of work samples will be desk audits, workflow, and workflow history. Information for other Quality Assurance Reviews may come from interviews with operations management and reviews of miscellaneous documentation.

a. Cases designated as exceptions because they are unacceptable, in need of improvement, or exceptionally well-done will be given to operations management during the course of the review. Operations management should return any comments to IPMD within 2 workdays.

b. A schedule of ORs will be made prior to the beginning of each calendar year. OR findings will be used to provide suggestions for quality and timeliness improvement and to point operations management toward areas for possible further study. OR results are not intended to validate the regular SQC programs.

## 1.15 SUMMARY

Strict adherence to the VA Insurance SQC sampling plan and documentation provides, among other things, the following advantages:

a. The VA Insurance SQC sampling plan assures that the method of selection is completely random. The documented selection of control digits by random chance rather than choice, and their application through the secondary and into the final digit groupings, keeps all work products subject to the possibility of selection constantly. Sampling cannot become concentrated in any particular group of work items.

b. The statistical quality review worksheet provides for local quality validations a ready trail to certain points in time, such as periods of heavy workload volumes or other occurrences. It offers a choice between those items initially listed but passed over and those which entered the organized quality sample. This choice can serve the various work processes as a double-check on the estimates of accuracy and timeliness, the reliability of reporting, and the efficiency, knowledge or training needs of the work item originator on up through the quality reviewer.

c. The VA Insurance SQC sampling plan outlined adapts itself to any one or more of the 100 percentage plans outlined in paragraph 2.01 to all segments of the Insurance activity. Further, it will provide for any future changes in staffing, organizational structure, or work volumes.

***References:***

- M29-1, Part VII, Chapter 2, Section 2.01: Selection Plans and General Guidelines

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## 2.01 SELECTION PLANS AND GENERAL GUIDELINES

a. Selection Plans

1. There are one hundred selection plans (See a2(b)) available to adjust to various work volumes throughout the Insurance activity. No specific percentage selection plan is assigned to the surveys presented in this chapter. The only requirement is that, whichever plan is used, it should produce initial selections in an amount equal to the established sample size, plus a minimum of approximately 10 percent in additional samplings. The plans may be changed as the workload dictates; however, such changes will only be made at the beginning or the middle of the SQC month.

2. The proper method for determining the control numbers for the various percentage selection plans is illustrated below.

   a) **Listing Controls** - The primary set (last two digits) of the last case listed each day becomes the beginning control numbers to make selections the next day. For example: for file number FV 1234 67 89, 89 is the primary set, the beginning control digits for the following day.

   b) **Initial Selections** - Cases containing the control digits in the secondary set (third and fourth from the end) of the insurance number. The following chart shows examples of how the control digits are selected for the different percentage plans.

| PERCENTAGE PLAN | CONTROL NUMBERS | LAST FILE NUMBER AT CUTOFF |
|---|---|---|
| 1% | V 1234 17 38 | 38 |
| 2% | V 17 23 80 | 80, 81 |
| 3% | RS 500 42 41 | 41, 42, 43 |
| 4% | J 8230 90 98 | 98, 99, 00, 01 |
| 5% | RH 1696 81 12 | 12, 13, 14, 15, 16 |
| 10% | K 42 30 55 | 55 through 64 |
| 15% | RH 1697 30 02 | 02 through 16 |
| 20% | V 1230 51 79 | 79 through 98 |

3. The established sample sizes are mandatory and strict adherence is important. However, if workload decreases to such an extent that the percentage plan does not produce the established sample size plus the minimum of ten percent additional sampling for three consecutive months, action should be taken to reduce the sample size.

b. General Guidelines

1. General SQC Selection Guidelines

a) Sensitive cases can be selected for SQC review. SQC reviewers will request the required supporting documentation from staff if a sensitive case is selected for review.
b) IPMD must complete their SQC reviews by the third workday of the month.

2. General Reviewer Guidelines on Key Processes

a) Correspondence

1) It is essential that correspondence to Veterans, beneficiaries, or third parties be viewed, to the extent possible, from the Veterans', beneficiaries, or third party's perspective.

2) Correspondence, email, and VMLI certificates must be complete, accurate, courteous, reader focused, and timely. Notifications must be factually correct, address all issues, be direct and concise, and be logically laid out and free from contradictory statements.

3) All ancillary issues and benefits (e.g. waiver of premiums, burial benefits, DIC, etc.) should be addressed when interacting with the Veteran or their representative.

4) Notice of procedural and appellate rights is required for all negative decisions, including denial of applications for insurance, reinstatement, disallowance of claims for insurance benefits; and decisions holding fraud or imposing forfeiture. Notice to the applicant or claimant and his representative, if any, of the right to appeal will be sent at the time the denial, disallowance, or forfeiture occurs. The form is: VA Form 20-0998, "Your Rights To Seek Further Review Of Our Decision".

b) Effective Dates

1) Effective dates of insurance benefits, disability benefits, conversion, reinstatements, special ordinary life policies, and change of plans must be accurate.

2) Generally, effective dates of applications will be made effective, unless the insured requests otherwise, on the date all requirements are met. This means the submission of both application and money. If within the time limits set by law a Veteran submits an application, then later the premium, the insurance will be effective as of the date the money is received if within the next premium month due. If supplemental information is required and submitted within the eligibility period, the effective date will be the date the application or the money was submitted, whichever is later.

c) Development

1) Once VA's duty to assist has been triggered by submission of a claim or application, all indicated development must be accomplished. VA is obligated to make reasonable efforts to obtain records to assist the claimant, if the records are adequately identified by the claimant, relevant to the claim, potentially helpful in substantiating the claim, and VA would be authorized to

disclose the relevant portions of such records to the Veteran under the Privacy Act and 38 U.S.C. 5701 and 38 U.S.C. 7332. However, in certain circumstances, VA may conclude that reasonable efforts do not include requesting third party records even when adequately identified by a claimant. A case-by-case determination should be undertaken to decide whether an attempt to obtain such records is within the scope of VA's duty to exert reasonable efforts to obtain the records. The duty to assist ends when all relevant evidence is obtained, or cannot be obtained despite reasonable efforts, or benefits are granted. While allowances must be substantiated, there is no duty to assist requirement to develop additional records when entitlement can be established on the evidence of record. (Over/Under Development). The key questions that should be asked are:

i. Does the record show a documented attempt to obtain all indicated evidence prior to denial of the claim or benefit?

ii. Was all evidence received prior to deciding the claim or benefit? If not, is there documented follow-up to show that the claimant was given the opportunity to obtain and submit the evidence?

c. Survey Guidelines

1. To the extent practicable, only survey customers whose actions have been subject to SQC review. The only instance in which customers whose actions were not SQC-reviewed should be sent surveys is when there were insufficient SQC reviews in the month to make up the targeted number of surveys. EXCEPTION: The Teleservice survey sample is pulled from supervisory monitored calls.

2. Do not survey the same customer more than once in a twelve-month period in any major SQC category. Additionally, no death claim file number can be surveyed more than once.

3. Only customers with a five-digit numeric US zip code should be surveyed.

4. Insurance Service should be automatically notified after the first workday of a month if the desired number of surveys is not generated.

***References:***

- M29-1, Part VII, Chapter 2, Section 2.01(a)(2)(b): Selection Plans and General Guidelines
- 38 U.S.C. 5701: Confidential Nature of Claims
- 38 U.S.C. 7332: Confidentiality of Certain Medical Records

*Forms*

- VA Form 20-0998: Your Rights to Seek Further Review of Our Decision

## 2.02 DAILY ACCUMULATION

Initial selections will be made from all workdays of every month. Final selections will be made at a daily rate as specified below (see also paragraph 1.09).

**Sample Size, 100 Monthly**

19 workday month = 6 daily, first 5 days + 5 daily, last 14 days

20 workday month = 5 daily, throughout

21 workday month = 5 daily, first 16 days + 4 daily, last 5 days

22 workday month = 5 daily, first 12 days + 4 daily, last 10 days

23 workday month = 5 daily, first 8 days + 4 daily, last 15 days

**Sample Size, 50 Monthly**

19 workday = 3 daily, first 12 days + 2 daily, last 7 days

20 workday = 3 daily, first 10 days + 2 daily, last 10 days

21 workday month = 3 daily, first 8 days + 2 daily, last 13 days

22 workday month = 3 daily, first 6 days + 2 daily, last 16 days

23 workday month = 3 daily, first 4 days + 2 daily, last 19 days

Daily selections for monthly sample sizes other than 100 or 50 per month are readily calculated, using the above techniques.

***References:***

- M29-1, Part VII, Chapter 1, Section 1.09: Selection Background

## 2.03 STATISTICAL QUALITY CONTROL CHARTS

a. Experience shows that the mere introduction of a control chart into a work situation often causes quality improvement. Such improvement may result only from the influence of the chart in focusing the attention of employees and management on the quality level. This is certainly a positive aspect of control charts and should be considered as such.

b. Using control charts to focus attention solely on the quality level, however, is not the whole story. In the long range, much of the quality improvement attributable to the use of control charts comes from concentrating the user's attention on variations which are statistically abnormal. Care should be taken to view control charts in terms of whether the work processed items are, or are not, in statistical control. And, of course, this must include identifying "assignable causes" (errors and discrepancies) and taking the necessary steps to bring the system back into a constant-cause system.

**NOTE:** Please refer to M29-1, Part VII, Appendix A for SQC Quality Control Exception Sheets and Summary Reports.

***References:***

- M29-1, Part VII, Appendix A: SQC Error and Discrepancy Sheet Listing

## 2.04 DEFINITION OF CONTROL CHART

SQC control charts show the monthly error/discrepancy rates or timeliness for the various statistical quality control programs. The data from these control charts can be plotted on graphs. On such graphs, there are three parallel lines: a central line which represents the actual average error/discrepancy rate or timeliness for the previous year and an upper and a lower control line. The control limits are intervals of three standard deviations above and below the actual average percent in error. They represent the boundaries within which the error rate for any month should statistically fall.

a. A control chart is a graphic device for detecting lack of statistical control. Thus, control charts which plot the error/discrepancy rate from month to month are more than just a means for determining how well or how poorly an organization is doing. In fact, their primary importance is to determine if review results reflect what would be expected statistically by random selection and review of a work process. When control charts reveal that a work process demonstrates random variability, the process is said to be under "statistical control". Conversely, a process lacking "statistical control" means that observed variations in quality are greater than should occur by chance, or that plot patterns do not show expected month-to-month variability or randomness.

b. Control charts for the SQC programs are tools used in monitoring the quality of work completed. The purpose of such a process is fourfold:

    1. to review the quality of work being processed;

    2. to indicate when a work process does not exhibit the stability of a constant-cause system (is not in statistical control);

    3. to attribute assignable causes when an SQC program is not in statistical control;

    4. to take positive steps to eliminate those assignable causes.

## 2.05 ASSIGNABLE CAUSES (Errors and Discrepancies)

Assignable causes are simply those underlying reasons why a work process, such as an SQC program, is not in statistical control. Assignable causes are broken down into either errors or discrepancies.

a. An error is an action which adversely affects the Veteran, the insured, the beneficiary, the payee, third party customers, stakeholders, or the financial health of the insurance program.

b. A discrepancy is an action or omission, the effect of which is minor or administrative. It cannot have direct, substantive, or immediate impact on the benefits payable, the Veteran, the insured, the beneficiary, the payee, third party customers, stakeholders, or the financial health of the insurance program.

**Note**: See 1.02 for additional information on errors and discrepancies.

***References:***

- M29-1, Part VII, Chapter 1, Section 1.02: Insurance Quality Control Elements

## 2.06 USE OF CONTROL CHARTS

Control charts can show whether a work process is in statistical control by position, order, trend, or grouping of successive plots placed on those charts. Putting it more simply, basically two things are looked for on control charts. Are all points (plots) within the upper and lower control limits and do the point groupings avoid having a particular form? If they meet these two basic criteria, they are considered to be in a so-called "controlled state".

a. **PLOTS OUTSIDE THE CONTROL LIMITS** - The first of these two situations have been the traditional barometer of whether an organization is performing well. If there is a plot or two above the upper control limit, then the organization is in an "out-of-control" situation, should look into the matter, and do what is required to ensure that the error or timeliness improves the following month. This is not an inappropriate response to the situation, but this is not the only time a response is warranted. It is very important to note that a plot below the lower control limit also represents a situation that "lacks statistical control". Often when this has happened, the approach has been to assume two things: that there is near or total perfection and that the review results were totally accurate. Actually, this situation should cause on organization to look into the work process in question. In short, the correct use of control charts never allows an organization to assume the accuracy of any error rate that is questionable based upon that error rate's failure to fall within the limits which have been established statistically.

b. **PLOTS ASSUMING A PARTICULAR FORM** - Plots which are said to "assume a particular form" generally fall into four or five separate categories. These indicate that things may not be what they should be. A basic summary of these categories is shown below.

1. **RUN** - A run exists when seven or more consecutive plots are on one side of the central line, even though none is outside the control limit on that side. A run of less than six may also fall under this category if 10 out of 11 plots, 12 out of 14 plots, or even 16 out of 20 plots lie on one side of the central line (average error or timeliness rate). The number of plots is called the length of run.

2. **TREND** - A trend exists when seven or more points form a continuous upward or downward curve. Normally, the plots appear from a point near one control limit and go to a point near the opposite control limit. In some situations, the points will extend beyond the control limits. Even if there are not seven continuous plots in one direction, a trend may still exist if there is nonetheless an overall "drastic trend" in one direction extending for more than seven plots.

3. **PERIODICITY** - Periodicity is seen when the plots show the same pattern of change, up or down, over equal intervals.

4. **HUGGING THE CONTROL LINE** - This occurs when plots on the control chart stick close to either control limit line. To determine if there is "hugging" of the control limit

lines, two lines should be drawn at two-thirds of the distance between the central line and each control limit line.

5. **SUDDEN CHANGE** - This happens when four or more consecutive plots appear on one side of the central line and suddenly show a change in level by the appearance of four or more plots on the opposite side of the central line.

## 2.07 REPORTING

a. After the close of SQC reviews, no later than the third workday of each month, IPMD must generate from the VA Insurance system, a monthly summary report of the preceding month's review results for quality and timeliness.

b. In cases where Operations disputes an error or discrepancy and the dispute is resolved in favor of Operations, IPMD must modify the SQC exception sheet and subsequently generate a new monthly report.

c. Data from SQC reporting will be utilized to conduct trend analysis and identify areas that require training, refresher training, policy or procedural changes, workload, and/or system enhancements/changes.

## 2.08 DISABILITY CLAIMS - SQC 100

a. **Organization of Sample**. Samples for this survey will be drawn from all cases in which a new claim for disability benefits has been awarded or denied, including pending cases as defined in paragraph 1.09.

b. **Sample Size**. Fifty monthly which will include forty completed cases and ten pending cases. The cases will be drawn from all workdays throughout the current month, at the appropriate daily rate as specified below.

| | **Pending Cases** | **Completed Cases** |
|---|---|---|
| 19 workday month = | 1 every other day until a total of 10 are reviewed | 3 daily, first 2 days<br>2 daily, last 17 days |
| 20 workday month = | 1 every other day until a total of 10 are reviewed | 2 daily, throughout |
| 21 workday month = | 1 every other day until a total of 10 are reviewed | 2 daily, first 19 days<br>1 daily, last 2 days |
| 22 workday month = | 1 every other day until a total of 10 are reviewed | 2 daily, first 18 days<br>1 daily, last 4 days |
| 23 workday month = | 1 every other day until a total of 10 are reviewed | 2 daily, first 17 days<br>1 daily, last 6 days |

System Selection Criteria

- ☐ Status = 'completed'
- ☐ Date completed = selection date
- ☐ Taskdescription = Waiver Application or Waiver Application Folder or Waiver Application Evidence or Referral – Waiver Application Folder or Referral – Waiver Application

c. Acceptable Quality Level (AQL). The AQL is adjusted annually. It is set by management based on industry best practices.

***References:***

- M29-1, Part VII, Chapter 1, Section 1.09: Selection Background

## 2.09 DEATH CLAIMS - SQC 200

a. **Organization of Sample**. Samples for this survey will be drawn from all death cases having undergone the adjudicative process. This includes cases on which insurance death awards are granted or disallowed, as well as those going into diary awaiting further developmental requirements, including the submission of a claim.

b. **Sample Size**. One hundred monthly, (which will include 80 completed cases and 20 pending cases) drawn from all workdays throughout the current month, at a daily rate specified as follows:

| | **Pending Cases** | **Completed Cases** |
|---|---|---|
| 19 workday month = | 2 first day,<br>1 daily on successive days | 6 daily, first 2 days<br>4 daily, last 17 days |
| 20 workday month = | 1 daily | 4 daily, throughout |
| 21 workday month = | 1 daily<br>until 20 are reviewed | 4 daily, first 19 days<br>2 daily, last 2 days |
| 22 workday month = | 1 daily<br>until 20 are reviewed | 4 daily, first 18 days<br>2 daily, last 4 days |
| 23 workday month = | 1 daily<br>until 20 are reviewed | 4 daily, first 17 days<br>2 daily, last 6 days |

System Selection Criteria

80 'Completed' cases:

Select cases using the ADEArchived and LocationLast tables with:

- ☐ ADE trans type = '01'
- ☐ verified date = selection date
- ☐ LastName <> "AMA"
- ☐ Location = "DEATH PEND" or "295 ADE OK" or " NO COBAR "

20 'pending' cases:

Select cases from the NewWorkTasks table with:

- ☐ NOT also eligible as ‘completed’ case
- ☐ TaskDescriptionID = '088' " _
- ☐ Status = 'pending' "
- ☐ QueueLocation = '295' "
- ☐ category <> ""
- ☐ QueueName is null or QueueName <> 'Victars'
- ☐ No pending task in 293
- ☐ Filenumber not in ADEPendingAwards table

OR

- ☐ Location = 'Death Pend' in LocationLast table
- ☐ LastName <> 'AMA'
- ☐ datesent = selection date

c. **Acceptable Quality Level (AQL).** The AQL is adjusted annually. It is set by management based on industry best practices.

## 2.10 AWARDS MAINTENANCE ACTIONS - SQC 201

a. **Organization of Sample**. Samples for this survey will be drawn from all incoming correspondence, address changes, "RETCK" RPO's and other generated RPO's usually processed by the Claims Technician. The cases will be accompanied by all letters or other material denoting action(s) taken. This will also include cases made pending while waiting for return of money, further information, records, etc.

b. **Sample Size**. One hundred monthly (which will include 20 "RETCK" generated RPO's, 20 other generated RPO maintenance actions, and any combination of 60 award correspondence and address change actions) drawn from all workdays at a daily rate specified as follows:

| **"RETCK RPO" Maintenance** | **Award Correspondence and Address Changes** |
|---|---|
| 19 workday month = 2 first day<br>1 daily on all successive days | 4 daily, first 3 days<br>3 daily, last 16 days |
| 20 workday month = 1 daily | 3 daily, throughout |
| 21 workday month = 1 daily<br>until 20 are reviewed | 3 daily, first 18 days<br>2 daily, last 3 days |
| 22 workday month = 1 daily<br>until 20 are reviewed | 3 daily, first 19 days<br>1 daily, last 3 days |
| 23 workday month = 1 daily<br>until 20 are reviewed | 3 daily, first 19 days<br>1 daily until 60 are reviewed |

**NOTE**: The daily rate for other generated RPO maintenance actions will be the same as that for "RETCK" RPO's.

Selection Criteria

1. A completed task falls into at least one of these three categories:

   a) Awards Maintenance task which was not sent to 293 for verification.

   b) Any Verify task to verify an Awards Maintenance task.

   c) Any Verify Award Transactions task.

2. The file number of the Award Maintenance Task Completed has to have a running award record other than a lump sum.

3. The selection date is the current workday.

**c. Acceptable Quality Level (AQL).** The AQL is adjusted annually. It is set by management based on industry best practices.

## 2.11 BENEFICIARY AND OPTION CHANGES - SQC 202

a. **Organization of Sample**. The items to be reviewed are mainly VA Forms 29-336, Designation of Beneficiary and Optional Settlement. However, to cover the entire population of work items in this area, sampling will include any written request over the insured's signature in which the intent is clearly stated. Additionally, No Action Necessary (NAN) cases that are identified by the system will be reviewed to ensure that no action was required. If no action was needed, the SQC reviewer will replace the case. If action was required and/or taken, the case will be reviewed.

b. **Sample Size.** One hundred monthly, drawn from all workdays throughout the current month, at a daily rate as specified in paragraph 2.02.

Selection Criteria

- ☐ Doctype = 'BO' and credate = selection date
- ☐ Doctype = 'BODE' and daynum = daynum of selection date
- ☐ Not RH file number with effective date less than 90 days ago

c. **Acceptable Quality Level (AQL).** The AQL is adjusted annually. It is set by management based on industry best practices.

***References:***

- M29-1, Part VII, Chapter 2, Section 2.02: Daily Accumulation

## 2.12 MEDICAL APPLICATIONS - SQC 300

a. **Organization of Sample**. The work items for this survey include all cases processed to completion by the Claims Examiners as well as those going into diary awaiting further development. These consist of applications which involve a medical determination,

based on health evidence from a report of physical examination (full medical), on the applicant's replies to health questions (short form medical), or from VA systems. The survey includes medical reinstatements and S-DVI applications.

b. **Sample Size**. Fifty monthly drawn from all workdays throughout the current month, at a daily rate as specified in paragraph 2.02.

Selection Criteria

- ☐ Status = 'completed'
- ☐ Date completed = selection date
- ☐ Taskdescription =
  - 'RH Insurance Application Decision' or
  - 'RH Insurance Application Evidence' or
  - 'Referral - RH Insurance Application Evidence' or
  - 'Referral - RH Insurance Application Decision'

b. **Acceptable Quality Level (AQL).** The AQL is adjusted annually. It is set by management based on industry best practices.

***References:***

- M29-1, Part VII, Chapter 2, Section 2.02: Daily Accumulation

## 2.13 VMLI - SQC 301

a. **Organization of sample:** Three types of VMLI cases are reviewed each month. They are:

1. Original Approvals

2. Coverage Changes (Refinances and Prepayments)

3. Death Claims Paid

b. **Sample Size.** Twenty monthly

Selection Criteria

- ☐ Date approved = selection date and apptype = 'original' or 'prepayment' or 'refinance'

  OR
- ☐ Claim paid = selection date

c. **Acceptable Quality Level (AQL).** The AQL is adjusted annually. It is set by management based on industry best practices.

## 2.14 CORRESPONDENCE - SQC 400

a. **Organization of Sample.** This sample will be gathered from all incoming correspondence processed to completion by the Policyholders Services entities. The sample will also include all transmittals noted as "D" mail, "NAN," or "Ready for File."

b. **Sample Size.** One hundred monthly drawn from all workdays throughout the current month, at a daily rate as specified in paragraph 2.02.

Selection Criteria

Select workflow tasks that have **no task pending** and

- ☐ Status = 'completed'
- ☐ Date completed = selection date
- ☐ Processing employee division = Policyholders Services Division (292)
- ☐ Task description =
  - Correspondence Application or
  - Referral-Correspondence Application or
  - Correspondence or
  - Referral-Correspondence or
  - No record Mail or
  - Referral- No record Mail or
  - Email or Referral-Email or
  - Power of Attorney Application or
  - Referral-Power of Attorney Application or
  - Referral Power of Attorney or
  - Direct Deposit Application or
  - Referral-Direct Deposit Application

c. **Acceptable Quality Level (AQL).** The AQL is adjusted annually. It is set by management based on industry best practices.

***References:***

- M29-1, Part VII, Chapter 2, Section 2.02: Daily Accumulation

## 2.15 APPLICATIONS - SQC 401

a. **Organization of Sample**. The items for this survey will be collected from all applications for conversions, replacement insurance, SRH applications, VAMATIC applications, and reinstatements processed by the Policyholders Services entities, on which a medical determination is not necessary.

b. **Sample Size**. One hundred cases monthly drawn from all workdays throughout the current month, at the appropriate daily rate specified in paragraph 2.02.

Selection Criteria

Select workflow tasks that have **no task pending** and:

- ☐ Status = 'completed'
- ☐ Date completed = selection date
- ☐ Processing employee division = Policyholders Services Division (292)
- ☐ Task description =
  - Conversion Application or
  - Referral-Conversion Application or

- Referral - Conversion Application (New CORR Mail)
- SPOL Replacement Application or
- Referral-SPOL Replacement Application or
- Reinstatement Application or
- Referral-Reinstatement Application or
- Reinstatement Application (new Corr Mail) or
- Referral- Reinstatement Application (new Corr Mail) or
- Supplemental RH Application or
- Referral-Supplemental RH Application or
- SRH Insurance Application or
- Referral-SRH Insurance Application or
- VAMatic Application or
- Referral-VAMatic Application or
- VAMatic Application (new Corr Mail) or
- Referral- VAMatic Application (new Corr Mail) or
- Change of Plan Application or
- Referral-Change of Plan Application

c. **Acceptable Quality Level (AQL).** The AQL is adjusted annually. It is set by management based on industry best practices.

***References:***

- M29-1, Part VII, Chapter 2, Section 2.02: Daily Accumulation

## 2.16 DISBURSEMENTS (LOANS AND CASH SURRENDERS) - SQC 402

a. **Organization of Sample**. The items for this review will be selected from all processed loans and cash surrenders.

b. **Sample Size**. One hundred monthly. Samples will be selected each workday throughout the current month at the appropriate daily rate specified in paragraph 2.02.

Selection Criteria

65 Loans

- ☐ VerifiedInforceActions with GroupNumber in ('06','07')"

35 Surrenders

- ☐ VerifiedInforceActions with GroupNumber in ('01','02')"

c. **Acceptable Quality Level (AQL)**. The AQL is adjusted annually. It is set by management based on industry best practices.

## 2.17 RECORD MAINTENANCE ACTIONS - SQC 403

a. **Organization of Sample**. The items for this survey will be selected from processed reason codes on record maintenance actions.

b. **Sample Size**. One hundred monthly. Samples will be selected each workday throughout the current month at the rates specified in Paragraph 2.02.

Selection Criteria

NewWorkTasks with

- ☐ Status = 'completed'
- ☐ Date completed = selection date
- ☐ taskdescriptionid = '404'
- ☐ taskdescription = 'Inforce Rpo'
- ☐ TimeCompleted < '180000'
- ☐ systemMessage not like '%System Reject%'
- ☐ QueueUserid not Classification = 'Supervisor'
  or userid like 'iss%'

c. **Acceptable Quality Level (AQL).** The AQL is adjusted annually. It is set by management based on industry best practices.

***References:***

- M29-1, Part VII, Chapter 2, Section 2.02: Daily Accumulation

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## Part VII Chapter 3 - Timeliness


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| 3.02 | Sampling Requirements |
| 3.03 | Calculating Processing Time |
| 3.04 | Standards and Specifications |
| 3.05 | Charting and Analysis of Results |
| 3.06 | Critical End Products Pending |


**Publication Date**: March 20, 2020

### 3.01 PURPOSE AND SCOPE

a. This section outlines the procedure to be followed for measuring, reporting, and evaluating the timeliness of processing selected insurance items.

b. Insurance processing time standards are designed to serve as a yardstick for measuring the promptness on inquiries or other required actions relating to Government insurance. The fulfillment of this objective requires that processing time be reported on an insurance-wide basis, i.e., from the date a letter, notice of death, application, or other request for action is received in the processing office, to the date when all service possible has been rendered.

c. The standards are expressed in terms to reflect the percentage of items which normally should be processed to completion within a specified number of days after receipt. It includes the expected processing time for all insurance elements that share in the responsibility for the movement of an item through its complete cycle.

d. Start dates for calculating timeliness must start from the date of receipt of the correspondence, applications or the date of the RPO/diary action. The timeliness clock will not stop until the Veteran/insured is informed that all VA actions able to be taken at the current time have been completed.

### 3.02 SAMPLING REQUIREMENTS

a. All items which are representative of the total process will be considered as part of the population and subject to sample selection. Items will not be excluded because of routing, diary or other actions which are part of the overall process.

b. When applicable, the timeliness review will be made from the same cases selected for review under the related SQC (statistical quality control) survey and by the same person who conducts the accuracy check. The exceptions to this are covered under the standards and specifications for the individual timeliness surveys (par. 3.04).

## 3.03 CALCULATING PROCESSING TIME

a. The date imaged will be considered the date of receipt.

b. Processing time will be computed in workdays for all surveys. The date of receipt will not be counted. All workdays following the date of receipt, including the day final action is taken, will be counted as full workdays.

c. Completed Action Cases: For a case to be considered complete in terms of the timeliness clock stopping, all indicated development must be finished and the Veteran/Insured/Beneficiary informed of the decision, if required. This processing time includes all prescribed clerical actions, including mandatory reviews, if such clerical actions impact delivery of the benefit at point of decision or future actions. If clerical actions or other case actions do not impact delivery of the benefit and/or would not impact future actions, these actions should not be included in the timeliness processing days. Delays encountered beyond the normal point of completion, such as quality reviews, data processing time and so forth, will be counted in the overall processing time.

d. Pending Action Cases: Cases which are diaried because information, money, records, etc., must be secured from sources outside insurance are eligible for sample selection and a timeliness review on either the initial handling or any subsequent handling. If selected on the initial handling, processing time ends when all required actions have been taken to the point of diary. If selected on a subsequent handling, processing time will begin on the first workday following the date of receipt of the requested data, money, etc. If the requested item is not received, the processing time will begin on the first workday following the diary call up date. If a case is selected in which a simultaneous request for more than one item from different sources is involved, the processing time will be computed even though the requested material was not received. Processing time begins on the first workday following the date of receipt of the requested data to the date the case is sent to file pending receipt of the other information.

e. Dual Action Cases: On dual action cases when the second action is selected for review and is one which must be taken in another organizational element (for instance, correspondence and beneficiary option changes), processing time for the second action will be computed from the date the first action is completed. Processing time ends, of course, when the first action is completed, if it is the one selected. When both actions are within the same unit the longer of the two timeliness standards will apply.

f. This method of calculating processing time will be used for all timeliness surveys and pending cases.

## 3.04 STANDARDS AND SPECIFICATIONS

a. Disability Claims - SQC 100

1. Timeliness Goal, 95 % in 11 days. The SQC chart 'Center Line' is set annually by management based on industry best practices.

2. Specifications-the sample size will be 50 monthly using the same cases reported under SQC 100 except that claims which are pending processing of an insurance application will be excluded from the sample. For claims filed prematurely, processing time begins on the first day of eligibility if sampled after such date, and from date of premature receipt to date of response if selected prior to eligibility.

b. Death Claims - SQC 200

1. Timeliness Goal, 90 % in 10 days. The SQC chart 'Center Line' is set annually by management based on industry best practices.

2. Specifications-the sample size will be 100 monthly using the same cases reported under SQC 200. Processing time for completed awards and pending cases begins either from the date of the final ("XC") RPO, or from the first workday following the date of receipt of the claim, correspondence or the date of the telephone inquiry that resulted in the award or other action, or from the first workday following the diary due date of a pending claim.

c. Awards Maintenance Actions - SQC 201

1. Timeliness Goal, 90 % in 10 days. The SQC chart 'Center Line' is set annually by management based on industry best practices.

2. Specifications-the sample size will be 100 monthly using the same cases reported under SQC 201. Processing time for cases begins from one of the following: (a) Incoming mail, the first workday following image date; (b) follow-up RPO's, the first workday following the date of the generated RPO (excluding "RETCK" RPO's); (c) "RETCK" RPO's, the first workday following the date of the Returned Check listing; or (d) date of phone contact with beneficiary for either address or direct deposit change.

d. Beneficiary and Optional Changes - SQC 202

1. Timeliness Goal, 95 % in 7 days. The SQC chart 'Center Line' is set annually by management based on industry best practices.

2. Specifications-sample size is 100 monthly using the cases reported under SQC 202.

e. Medical Applications - SQC 300

1. Timeliness Goal, 95 % in 11 days. The SQC chart 'Center Line' is set annually by management based on industry best practices.

2. Specifications-report the processing time for all applications reviewed under SQC 300. The sample size will be 50.

f. Policyholders Services Correspondence - SQC 400

1. Timeliness Goal, 95 % in 8 days. The SQC chart 'Center Line' is set annually by management based on industry best practices.

2. Specifications-report the processing time for all mail reviewed under SQC 400. The sample size will be 100 monthly.

g. Policyholders Services Applications - SQC 401

1. Timeliness Goal, 95 % in 8 days. The SQC chart 'Center Line' is set annually by management based on industry best practices.

2. Specifications-report the processing time for all non-medical applications reviewed under SQC 401. The sample size will be 100 monthly.

h. Policyholders Services Disbursements (Loans/Cash Surrenders) SQC – 402

1. Timeliness Goal, 95 % in 5 days. The SQC chart 'Center Line' is set annually by management based on industry best practices.

2. Specifications-report the processing time for all loans/cash surrenders reviewed under SQC 402. The sample size will be 100 monthly.

i. Record Maintenance Actions - SQC 403

1. Timeliness Goal, 90 % in 8 days. The SQC chart 'Center Line' is set annually by management based on industry best practices.

2. Specifications-report the processing time for all record maintenance actions reviewed under SQC 403. The sample size will be 100 monthly.

## 3.05 CHARTING AND ANALYSIS OF RESULTS

a. Charts similar to those used for accuracy reviews should be used as a means for comparing processing time experience with standards, and to depict out-of-line situations.

b. On processing time charts, each case which is not processed within the specified number of days is regarded as being defective, or in error.

c. As an example, if the standard is 90 percent in 7 days, the AQL should be charted at 10 percent. Based on a sample size of 100, the UCL (upper control limit) for an AQL of 10 percent is 19.0 percent. Thus, if 15 cases in the sample took more than 7 days, the plotting on the chart would be at 15.0 percent, or about midway between the AQL and the UCL. In this instance, the process would be considered under control.

d. The criteria used for determining out-of-line conditions on accuracy charts will also apply to processing time charting. There is an additional factor to be considered, however, in the analysis of processing time reports. Processing time deficiencies, even though the overall process is under control, are usually attributable to specific causes rather than the human error. For this reason, supervisory personnel should analyze each item which exceeds the time standards to determine the cause and any corrective measures needed to prevent other similar delays. Potential out-of-line situations should be reported upward as they come to light, along with recommendations for improvement.

## 3.06 CRITICAL END PRODUCTS PENDING

a. The items in this category are those with the greatest impact on the Veteran, his/her family, and to a lesser degree, the general public. They are: loans, surrenders, incoming correspondence, death claims, and formal applications. An important indicator of the timeliness of operations in these areas is a breakdown of the number of workdays that the end-of-month balances represent. Another effective supplement to timeliness sampling is a check of the age spreads in the unprocessed work items. All these constitute continuing supervisory responsibilities.

b. Balances on hand, workdays pending, and various age spreads of unprocessed work items will be made a matter of record when taking the end-of-month inventories. The data for disability claims and death claims will be obtained at the end of each month from the Oracle Business Intelligent Enterprise Edition (OBIEE) application. These items will be reviewed at the division level or by a designated person. The following narrative describes the method of reporting data for the(OBIEE) application:

1. Workdays Pending

(a) In each of the five critical categories, divide the number of end products completed during the previous month by the number of workdays in that month. This resulting average daily output will be applied to the balance being reported as on hand for the current month, to arrive at the number of full workdays pending.

2. Age Spreads

(a) End-of-month balances for formal applications, loans, surrenders, and Policyholders Services mail (all incoming) will be broken down into the following age groups, by calendar days:

| 1-15 | 16-31 | Over 31 |
|---|---|---|

(b) Death claims and new disability claims will be segregated by calendar months, as follows:

| 0-6 | 7-9 | 10-12 | Over 12 |
|---|---|---|---|

c. Items in the 15-45 calendar day or 7-9 calendar month categories, according to the nature of the end product, will be reviewed by the supervisor or designee to verify that an acknowledgment has been sent, if in order, and that all VA action which can be completed has been accomplished.

d. End products pending over 31 calendar days, or claims (death or disability) pending over 9 months will be identified and listed, together with the reasons for the pending status, for attention at the division level as to additional remedies needed. The division chief will be kept informed about all cases in the over 31 and over 12 categories. Insurance Service will give advice or assistance on any of these cases when requested.

**NOTE:** The age of disability claims filed prematurely will be calculated from the date of eligibility, in determining under which of the four age spreads each claim belongs. Those not having reached eligibility date will be subtracted from balance on hand, in arriving at workdays pending.

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**Publication Date**: February 07, 2019

### 4.01 GENERAL

The principal emphasis in preceding chapters has been on the statistical approach. This chapter outlines another form of quality control, one which is more analytical in nature. It provides for critical overall analyses of insurance operations through the medium of continuing reviews as scheduled by local management.

a. The term, systematic analyses, as used herein, refers to a formal review and analysis program encompassing the feature of all prior formal review programs such as operations reviews, self-audits, self-appraisal surveys, management studies, etc.

b. Daily supervision and SQC (statistical quality control) play the overriding part in the program in that they are used as feeders, alerting management to the need for a systematic analysis when circumstances dictate.

c. This chapter prescribes the minimum requirements for systematic analyses of operations with regard to areas for study and frequency of analyses. Revisions will be made from time to time when changes in the program, or service priorities occur. Local management is expected to expand reviews and analyses, as considered necessary, beyond these minimum requirements when the situation warrants. Analyses should be made whenever an out-of-line situation occurs and will take preference over regularly scheduled analyses.

## 4.02 OBJECTIVES

a. An effective systematic analyses program should provide the means for determining the accuracy of the operation, the quality of services rendered, and whether the present operating techniques are the most practical and economical.

b. This program, together with prescribed operating and quality reports, should inform Insurance Program Management Division of the strengths and weaknesses in all functional areas.

c. It should pinpoint existing and potential trouble spots and should lead to effective preventive or improvement measures, as the situation warrants.

## 4.03 RESPONSIBILITIES

The Assistant Director, Insurance Program Management Division will be responsible for scheduling and coordinating the various surveys and systematic analyses.

## 4.04 SCOPE

In order to assure fulfillment of the stated objectives, a comprehensive systematic analyses should be made at least annually. When trouble spots exist, recurring reviews should be made quarterly until satisfactory improvement has been achieved.

## 4.05 SYSTEMATIC ANALYSES PROCEDURES

Insurance staff should follow standard procedures and format for conducting an SAO.

## 4.06 STASTICAL QUALITY CONTROL

SQC review and validation requirements are prescribed in preceding chapters. These should be reviewed annually, and include the following:

a. Review the selection methods.

b. Apply the individual digit selection plan's percentage factor to the volume as reported in the VA Insurance system to assure that the number of selections actually listed is reasonably near the expected yield.

c. Include specific recommendations for improving the SQC program.

## 4.07 REVIEW OF SUPERVISORY CONTROLS AND TECHNIQUES

a. Supervision should not rely solely on SQC. For example, there should be reviews to assure:

    1. That supervisory spot checks are made regularly to determine the nature and amount of pending work balances.

    2. That work is being performed in a manner as to not create additional and avoidable work items.

b. Investigate areas where SQC results are in control but are at the Warning Level just below the UCL, indicating trouble may be brewing, without confining the search for possible future trouble spots to this category alone.

c. Check the adequacy of supervisory training of employees.

## 4.08 REVIEW OF WORK ITEMS NOT UNDER FORMAL SQC

The following are some examples of this category:

a. Unassociated Remittances (Excess of Ten Category)

b. Postal Address Return Cards and Returned Mail

c. Computing Actions

d. Utility Policy Liens

e. Liabilities

f. Finance Indebtedness

## 4.09 ANALYSIS OF INCOMING CORRESPONDENCE

Cross sections of policyholder mail can provide an informative and useful indicator in the area of systematic analyses. The objective is to identify patterns when correspondence could be eliminated or reduced appreciably by improvements in procedures, forms or form letters, correction of pattern error conditions, possible changes at the policy level, greater care in the preparation of correspondence, or changes in the scheduling of work. Samplings will be conducted at the discretion of the Assistant Director, Insurance Program Management Division, or delegated representative.

## 4.10 REVIEW OF REPORTING PROCEDURES

This includes checking the adequacy and accuracy of required feeder reports and final reports. It also includes an analysis of these reports beyond routine daily or weekly examinations for significant trends or potential out-of-line situations. Aside from required reporting, attention should also be given to the principle of reporting by exception.

## 4.11 CORRESPONDENCE MANAGEMENT

This would include:

a. Review of forms and form letters.

b. Control of complaint mail.

## 4.12 OTHER AREAS

Some of these would be:

a. Manpower utilization.

b. Control and processing of ADP rejects.

c. Analysis of RPO's by reason codes to identify areas requiring particular attention including possible computer programming improvements.

d. Work flow routing.

e. Compliance with Central Office and local directives.

f. Review of local operating instructions.

g. Any other analyses which may be needed to reflect accurately the overall condition of the Insurance activities.

## 4.13 SCHEDULING

a. Within the framework outlined previously, it will be Insurance Program Management Division's responsibility to determine how and when the various reviews will be made, as well as the scope and depth of each.

b. Priority in scheduling should be given to known or suspected trouble areas. Whenever a review discloses a need for action or improvement, a follow-up review should be made not more than 3 months later (see par. 4.04, above) to determine whether effective corrective measures have been taken.

c. Surveys and special studies instituted at the request of Insurance Program Management Division will be considered and reported as a part of the Systematic Analyses program.

***References:***

- M29-1, Part VII, Chapter 4, Section 4.04: Scope

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## Part VII Appendix A - SQC Error and Discrepancy Sheet Listing


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| SQC 300 | Medical Applications |
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| SQC 400 | Correspondence |
| SQC 401 | Applications |
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| SQC 403 | Record Maintenance Actions (Record Print Outs) |


**Publication Date**: February 07, 2019

# Part VIII - Records


| Section | Name |
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## Part VIII Chapter 1 – Introduction


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| 1.02 | Veterans' Insurance Records |
| 1.03 | Insurance Records |
| 1.04 | Standard Notations on Retired Insurance Records |
| 1.05 | Key Information in Electronic Records |


**Publication Date:** February 07, 2019

### 1.01 GENERAL

a. Government life insurance had its development during World Wars I and II and the Korean Conflict. The programs include USGLI (United States Government Life Insurance) (World War I), NSLI (National Service Life Insurance) (World War II and later), S-DVI (Service-Disabled Veterans' Insurance), and VMLI (Veterans' Mortgage Life Insurance).

b. All applications for life insurance have been assigned policy numbers with alphabetic prefixes. These alpha prefixes serve as a ready identification of the program under which the insurance was granted. Descriptions of the programs are listed in M29-1, Part I, Chapter 1.

***References:***

- M29-1, Part I, Chapter 1: Introduction

### 1.02 VETERANS' INSURANCE RECORDS

Veterans' Insurance records is a collective term referring to records established to contain all documents, customer service interactions, and information regarding a Veteran's insurance policy with VA. The rules and procedures outlined in this manual govern the establishment, maintenance and movement of records hereafter referred to as insurance records.

### 1.03 INSURANCE RECORDS

a. Insurance records include both paper records (retired insurance folders) and electronic records:

    1. A retired insurance folder contains historical documents, such as beneficiary and optional settlement designation forms, award payments, and correspondence. It can be requested through the Insurance system. These requests are handled by Clerical Support. When a request is received in Clerical Support, Clerical Support then requests the folder from the National Archives Records Administration (NARA) Federal Records Center (FRC). Once the folder is received from NARA, Clerical Support provides the folder to the employee. Once an employee is done with the folder, they return it to Clerical Support. Clerical Support will image any noted pertinent historical information and then return the retired folder to NARA, via the station's Records Management Officer (RMO). However, the folder may not be returned to NARA immediately as Clerical Support waits until they have a full box of retired folders before sending anything to the RMO for return. The RMO sends the box via tracked mail and receives confirmation it has been received by NARA.

    2. An electronic record contains key insurance information, which may include the beneficiary and optional settlement designation, the application made by an individual Veteran for insurance and essential correspondence and/or related documents pertaining to the maintenance of the insurance account, claims for disability insurance benefits, all customer interactions with the Insurance Center, and disbursements of funds such as loans, surrenders, refunds and/or award payments. The electronic record also includes policy and award transaction listings.

## 1.04 STANDARD NOTATIONS ON RETIRED INSURANCE RECORDS

The following applies only to retired physical records no longer housed at the Insurance Center, but in the appropriate Federal Records Center (FRC) operated by NARA.

a. "Reconstructed Record"-If a folder was reconstructed for any reason this notation was made on the outside of the new folder jacket.

b. "XC"-This notation was placed on insurance folders to indicate that an insurance death claim had been received for the proceeds of the Veteran's insurance.

c. "Adjudication Completed"-This notation was placed on insurance folders to indicate that the insurance had matured by death and award action had been completed.

d. "Retired - Inactive"-This was placed on insurance folders to indicate that the Veteran no longer had insurance protection; therefore, the folder was no longer housed in the insurance files, but in the appropriate FRC, before all folders were retired. The words "Retired-Inactive" were followed by the retiring office name and the retirement year.

## 1.05 KEY INFORMATION IN ELECTRONIC RECORDS

Electronic records contain a range of notations attached to both images and a historical notes feature. Types of electronic Insurance records, include:

a. Active Insurance Record- This record opens in the Insurance system and shows current policy and policyholder information. It also includes notations of actions taken and

comments left by employees, as well as scanned images of all documents submitted to or sent by the Insurance Center.

b. Deactivated Insurance Record- This record opens in the insurance system and shows policy and policyholder information, with a flag that states deactivated, in red. Deactivated means that the insurance was no longer in force when Insurance went to a new electronic system in the 1990s. The insurance may have been deactivated at that time for a variety of reasons, including, lapse, payment of a death claim, cash surrender, or insurance not desired. It also includes notations of actions taken and comments left by employees, as well as scanned images of all documents submitted to or sent by the Insurance Center. The record can still be updated with any new information received after deactivation.

c. No Insurance Record- If there is no electronic record of insurance, a message will appear on the screen in the Insurance system stating there is no record. This message only refers to the electronic recordkeeping system. There may be a paper record at the appropriate FRC.

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**Publication Date:** February 07, 2019

### 2.01 CONFIDENTIAL NATURE OF INFORMATION IN INSURANCE RECORDS

Preservation of record content is a prime consideration of personnel handling Veterans' Insurance records. The information contained in the retired insurance folders or in electronic records is privileged and confidential. VA personnel will not review or discuss information from either source except to the extent required for the performance of their official duties.

### 2.02 SENSITIVE FILES

a. Sensitive File Insurance Records will be established and maintained, electronically, in the Insurance system. Sensitive files will be established at different levels, depending on the level of confidentiality required. Sensitive files will include all insurance records of a restricted nature. The Assistant Director, Operations, Division Chiefs, or certain other authorized personnel will be responsible for the safeguarding and release, upon proper request, of all sensitive material.

b. The sensitive files include:

    1. Insured records with sensitivity levels of 6-9 as noted in the table below:

| Level of Sensitivity | Insurance Records Including Employees, Veterans or Their Beneficiaries | Authorized Employees |
|---|---|---|
| 9 | The President/Vice President of the U.S.; Members of the Cabinet; U.S. Senators and Members of Congress; U.S. Supreme Court Justices; VA Secretary; VA Deputy Secretaries; VA Under Secretaries; VA Asst. Secretaries; other high-profile individuals; special cases, e.g. witness protection | Under Secretary for Benefits (USB); Deputy USBs; Service Directors; SIPO Director; Directors and Asst. Directors of facilities having jurisdiction over records with a level of sensitivity equal to 9 |
| 8 | VA Senior Executive Service; Directors and Assistant Directors; Regional Counsel; Div. Chiefs or equivalent; persons of national prominence; Governors; Lt. Governors; Attorneys General of states or commonwealths; locally prominent persons or officials | Facility Directors and assistants; Area Directors; VSC Managers and Assistants; all other Division Chiefs |
| 7 | VBA employees; private attorney fee cases | ISOs and AISO, System Security Officers, Supervisory Accredited VSO reps; Private Attorneys; all VA Supervisors with a business need; and 10% of a VBA entities' non-supervisory staff with a business need. |
| 6 | VA Employees (other than VBA employees); VSO employees, relative of employee; VA work-study/interns employed at a VBA location. At the Director's discretion, this sensitivity level may also be placed on a Veteran's folder for high-profile claims. | Journey level employees having a business need on a daily basis, not to exceed 25% of a VBA entities' non-supervisory staff; non-supervisory accredited VSO reps. |
| 5 | Local Use Determination | Records of employees, relatives of employees, legislatures, and public figures that have VA life |

| | | |
|---|---|---|
| | | insurance. Based on grade/position and job duties. |
| 4 | Local Use Determination | Records of employees, relatives of employees, legislatures, and public figures that have VA life insurance. Based on grade/position and job duties. |
| 3 | Local Use Determination | Records of employees, relatives of employees, legislatures, and public figures that have VA life insurance. Based on grade/position and job duties. |
| 2 | Local Use Determination | Based on grade/position and job duties. |
| 1 | Local Use Determination | Based on grade/position and job duties. |

2. With reports from the FBI (Federal Bureau of Investigation)

3. Listed as being missing in action (MIA)

4. Who have an active tax levy from the IRS or VA benefits

c. All other records which the Director determines should be marked sensitive because of the nature of their content or public interest in the veterans concerned, will be maintained in the Office of the Director.

d. Employee-Veterans are permitted to see their own records upon request; however, access must be supervised. Requests for information from employees' records will be routed through normal channels.

e. Representatives of other federal agencies, having been authorized to examine sensitive files through proper identification and certification by a designated VA official, will be required to sign a VA Form 119, Report of Contact, showing the date and time of inspection, identification of the record examined, the purpose of the examination and identification of the representative.

f. The table above reflects the revised sensitivity levels for the BDN as well as Common Security Services (VETSNET). All sensitive level access requests must be submitted in CSEM, or using the VA-8824e for offices not currently using CSEM, for concurrence and approval by the Station Director, Acting Station Director or Assistant Director. Level 8 and 9 may be given to employees with designated positions as listed in the attachment. Level 7 restrictions are limited to a maximum of 10 percent of non-supervisory staff allowed access. Level 6 access is limited to an additional 25 percent of non-supervisory staff, with the stipulation that such access be given only to journey level employees. Therefore, a total of 35 percent of employees are entitled to Level 6

access and above, to include VR&E employees. Designation of journey level status and business need is a management decision. All other employees should remain at level 0.

## 2.03 PROTECTION OF ORIGINAL PHYSICAL RECORDS AGAINST DEFACEMENT

Physical records, prior to being scanned for storage in the Insurance system by Clerical Support, will not be stamped or marked in any manner other than those prescribed in VA procedures, nor will numbers or marks of any kind be placed on records or documents in a manner that will obliterate or deface any part of the contents. Extreme care will be exercised in using stamp impressions, staplers and perforators, and in making comments, notations or underscoring. Under no circumstances will any VA record or document in temporary custody of VA, which is to be returned to the sender, be *crumpled* or *marred.*

## 2.04 ARCHIVING AND/OR DESTRUCTION OF PAPER RECORDS

After physical records have been properly scanned for storage in the Insurance system, they will be handled in accordance with the VBA Records Control Schedule (RCS). The RCS is a document that identifies types of records, and provides retention and disposition authority and timeframes. If a record can be destroyed, per the RCS, it must be in accordance with the procedures outlined in VBA Directive 6300. Insurance specific guidelines can be found in VBA Directive 6300 Appendix B.

## 2.05 INSURANCE RECORDS MAINTAINED IN INSURANCE PROGRAM MANAGEMENT DIVISION

There are no physical records stored or maintained in the Insurance Program Management Division (IPMD). Electronic records are stored on a shared drive, accessible only to authorized personnel.

## 2.06 FREEDOM OF INFORMATION ACT (FOIA) AND PRIVACY ACT (PA) GUIDANCE

a. FOIA and PA are two laws that guide whether VA can release information.

    1. Freedom of Information Act – provides individuals rights to access Federal agency records, except to the extent those records are protected from release by a FOIA exemption or special law enforcement exclusion.

    2. Privacy Act – balances the government's need to maintain information about individuals with the rights of individuals to be protected against unwarranted invasions of privacy.

    3. Insurance policy for FOIA and PA is based on VA Directive 6300, VBA Handbook 6502, VA Handbook 6300.3. Employees should review these policies as well as any additional Insurance-specific policy to determine the appropriate process for handling requests for release of records before releasing the records. If needed, employees

should seek guidance from their supervisory chain and the Insurance FOIA and/or Privacy Officers.

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## Part VIII Chapter 3 - Filing System for Insurance Records


| Subsection | Name |
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| 3.02 | File Prefix Order of Precedence |
| 3.03 | Documents in Electronic and Paper Records |
| 3.04 | Access to Electronic Records |
| 3.05 | Workflow Process |
| 3.06 | Complete Search for Lost Record |


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### 3.01 TERMINAL DIGIT FILING SYSTEM

Insurance records are identified according to the numerical system known as the "Terminal Digit Filing System." The fundamental principle of this system consists of dividing the numbers into groups which are read from right to left. The two numbers on the extreme right are called "primary" digits; the two numbers to the left of the primary digits are called "secondary" digits; the remaining numbers are referred to as "final numbers." The number V17104628 would be broken down as:

| Final Numbers | Secondary Digits | Primary Digits |
|---|---|---|
| V1710 | 46 | 28 |

The file numbers are automatically assigned by the Insurance system.

### 3.02 FILE PREFIX ORDER OF PRECEDENCE

a. The following list shows the file number prefixes in their order of precedence. It may be used as a guide when it becomes necessary to determine which policy number is the file number when multiple prefixes are shown on the folder.

   1. FV
   2. FRS
   3. FRH
   4. FH
   5. FJ
   6. FK

b. Policies prefixed by the letters W, JR, or JS are never used as file number prefixes.

## 3.03 DOCUMENTS IN ELECTRONIC AND PAPER RECORDS

a. Electronic Records

1. When documents are received by the Insurance Center, they are barcoded using the terminal digit system noted in 3.01 and then scanned directly into the Insurance system. The scanned document images are sorted into different folders, which can be opened in the electronic record with which it is associated. The folders are as follows:

    a. B&O: All Beneficiary Designation forms.

    b. 292 (Incoming/Outgoing): All correspondence to and from the insured on existing policies, except for Veterans' Mortgage Life Insurance (VMLI). This includes items like address changes, Tcap, reduced paidup requests, and any manually generated correspondence with the insured.

    c. 292 (Loan/Cash Surrender): All Loan and Cash Surrender applications (formal and informal) and system generated loan or cash surrender approval or denials.

    d. 295 (Incoming/Outgoing): All correspondence to and from a beneficiary of an insurance policy.

    e. Power Of Attorney: All Power of Attorney documents.

    f. 295 (Award Maintenance): Any correspondence for a running award, including direct deposit and address changes and income verifications.

    g. 297 (Incoming/Outgoing): All correspondence to and from the Veteran regarding applications for insurance benefits.

    h. 297 (Applications): All applications for insurance benefits, except for VMLI. This includes paper and online applications.

    i. 297 (VMLI): All correspondence and applications to and from the Veteran regarding VMLI.

    j. Email: Emails received and replied to by VA Insurance. This does not include IRIS inquiries or emails within the VA Insurance system.

    k. Controlled Correspondence: Incoming and outgoing correspondence to and from Congressional representatives, White House, Secretary of Veterans Affairs, other cabinet level agency correspondence, or other high-level VA officials.

    l. 295 (Outreach): All correspondence to and from recently separated Servicemembers with Servicemembers' Group Life Insurance at separation who are part of VA Insurance's outreach efforts.

b. Paper records

1. Paper records received in Clerical Support are barcoded using the terminal digit system noted in 3.01 and then scanned and stored in the Insurance systems as noted in a. After being scanned, some of these paper records are stored, some are shredded, and others are returned to the sender.

   a) Imaged and Sent to National Archives and Record Administration (NARA)

      1) Paper that shows an Insurance Beneficiary Designation are maintained for 50 years by NARA. These records are imaged, boxed, and sent to NARA after ten boxes are filled (approximately every 12 weeks):

         i. Informal and Formal Beneficiary Option and Designation forms
         ii. S-DVI Applications
         iii. Supplemental S-DVI Applications

   b) Imaged and Returned Upon Request

      1) The following documents are imaged and the original is returned to the insured or beneficiary upon request:

         i. Any document requested returned when received
         ii. Death Certificates
         iii. Marriage Certificates
         iv. Birth Certificates
         v. Any other original source documentation

   c) Immediate Destruction

      1) Envelopes, postal address cards, and return mail on active insureds are not imaged. They are shredded on the official shredding day after receipt.

      ***NOTE**: Return mail on active insureds is not imaged because of the return mail process whereby "bits" are placed on the active records to prevent further mail from going out on the record when return mail is received.*

   d) Imaged and Shredded

      1) Any document that is not categorized under a-c. These documents are imaged and placed in a box identifying it as not required for NARA retention. Shredding occurs only once a box has been filled and retained for at least 30 days.

***References:***

- M29-1, Part VIII, Chapter 3, Section 3.01: Terminal Digit Filing System

## 3.04 ACCESS TO ELECTRONIC RECORDS

a. To gain access to the electronic records, the following process must be followed:

   1. A secretary or a supervisor must submit a request by use of the following forms:

a) VICTARS/ITS (Form 29-8824c)

b) BDN (Form 20-8824)

c) CSS (Form 20-8824e)

d) Time Sharing (Form 9957)

e) SDC (MVS/TSO)

f) LAN Access

g) Special Features (VICTARS accesses)

2. Once the request is submitted, it will either go immediately to Internal Controls (if requested by the supervisor) or it will go in the supervisor's Pending Approval box. After the supervisor approves the request, it will go to Internal Controls.

3. Internal Controls must approve the request. Once approved, it is sent to the Office of the Director. If denied, Internal Controls returns it to the supervisor for action.

4. The Office of the Director reviews the request. Once approved, it is sent to the Information Technology Staff. If denied, the Office of the Director returns it to the supervisor for action.

5. The ITS then creates the new user account.

## 3.05 WORKFLOW PROCESS

a. When documents are received, they are identified and barcoded before being scanned into the Insurance system, the barcode contains data that identifies if and what type of task should be created in the workflow system.

b. Once the document is scanned, a clerk will commit the images and the system will sort the images and associate the documents with the appropriate electronic insurance record.

c. When the system associates the documents, it may create a workflow task depending on the data in the barcode. If a task is created, it is automatically assigned by terminal digit to the appropriate employee.

d. Imaged documents will appear on the appropriate records, usually soon after imaging, and begin to assign workflow tasks as appropriate. The employee can then view and access the electronic folder and associated documents for all assigned tasks through the Insurance system on their personal workflow list. The workflow list tracks the age of the task.

e. If a document was scanned without a barcode, it will generate for action and a clerk will manually index the document to the appropriate pending image(s). This ensures the image is manually associated with the appropriate electronic record.

## 3.06 COMPLETE SEARCH FOR LOST RECORD

a. A complete search will consist of searching:

   1. Electronic VA Insurance System (using all identifying information available) - Conducted by Policyholder Services (PSD)or Death Claims (DCD).

   2. SHARE/BIRLS (Beneficiary Identification and Records Locator Subsystem) – Conducted by the Imaging Unit after request from PSD or DCD.

   3. Federal Archives Records Centers - Request made by Imaging Unit.

b. After conducting a complete search for an insurance record, and the record cannot be found, the Imaging Unit should inform the PSD or DCD requestor and place a note in the VA Insurance System that the original folder cannot be located.

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## Part VIII Chapter 4 - Requisition, Charged-Out and No Record Folders

Chapter deleted as obsolete and no longer relevant.

**Publication Date**: February 07, 2019

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## Part VIII Chapter 5 - Retirement and Recall of Inactive Insurance Folders


| Subsection | Name |
|---|---|
| 5.01 | General |
| 5.02 | Location of Retired Insurance Records |
| 5.03 | Requests for Retired Paper Folders |


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### 5.01 GENERAL

a. All paper folders were retired to the appropriate Federal Records Center (FRC) in 1999. VA Insurance conducted the retirement in accordance with Records Control Schedule VB-1, Part 1-Field.

   1. The retired paper folders included policy information, correspondence, and beneficiary information.

   2. VA created an electronic record from the information in the retired paper folder for all active insureds at the time of retirement. Before retirement, the Beneficiary and Option Designation Form from each retired paper folder was scanned and stored to the electronic folder.

   3. Inactive records at the time of the retirement were sent to the appropriate FRC without creating an electronic record or scanning any documents into VA systems. VBA systems contain retired records locations for retrieval, as necessary.

b. Retirement and recall procedures as outlined in the Records Control Schedule, VB-1, Part 1-Field will be followed.

### 5.02 LOCATION OF RETIRED INSURANCE RECORDS

a. All V, H, RH and RS folders retired by the St. Paul and Denver VA centers are maintained in separate groups at the following address:

   Federal Records Center
   General Services Administration
   7358 South Pulaski Road
   Chicago, Illinois 60629

b. Most K, V, H, RH, RS and J folders retired by the Philadelphia VA Center are located at the following address:

   Federal Records Center
   Facility – 01
   14700 Townsend Road
   Philadelphia, PA 19154

**NOTE**: Insurance records archived in 1963 were destroyed under the authority of title 36 of the Code of Federal Regulations. These records were no longer active because of lapse due to non-payment of premiums, cash surrender, matured endowment policy, or death claims proceeds issued.

c. All K, T, N, V, H, RH and RS Premium Record Cards are located at the following address:

   National Personnel Records Center #061
   (Civilian Personnel Records)
   General Services Administration
   111 Winnebago Street
   St. Louis, Missouri 63118

Requests for these record cards should be made using the following process:

1. Complete VA Form 29-5714 "Requisition - Photocopy PRC/Folder Request Temporary Charge".

2. Fax the form to the National Personnel Records Center at 618-935-3042/3032.

3. Wait 2-3 weeks for a reply. If no reply in that time frame, make a second request.

## 5.03 REQUESTS FOR RETIRED PAPER FOLDERS

Management of all paper folders that are recalled from the FRC are controlled by Clerical Support.

a. Requests for retired folders are processed by Clerical Support. Insurance Specialists who need a retired paper folder send a request to Clerical Support through the Insurance System. The Clerical Support Staff obtains the location of the retired paper folder and other necessary information needed, such as the year retired, accession number, and box number.

b. To request the folder, the Clerical Support Staff must access a National Archives website, www.arcis.gov. This is the Archives and Records Centers Info System website.

c. Clerical Support keeps a log of all retired paper folder requests made, which includes when it was received and when it is returned.

d. Once a retired paper folder is received from a FRC, Clerical Support gives it to the requesting Insurance Specialist.

e. When the Insurance Specialist is finished with the paper folder, they return it to Clerical Support.

f. Clerical Support retains all retired paper folders until there are enough to fill a standard issue FRC box (a one-foot cube) to send to the appropriate FRC location.

g. Once a box is full, Clerical Support gives it to the Records Management Officer (RMO) who mails it back to the FRC. The RMO keeps track of when the box was sent and when it was received by the FRC.