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April 14, 1971

M29-1, Part 1

Change 1

CHAPTER 1 INTRODUCTION**SUBCHAPTER I. GENERAL****1.01 GOVERNMENT LIFE INSURANCE**

a. The United States Government Life Insurance program was established in 1919 to handle the insurance converted from the War Risk Term Insurance of World War 1. The Veterans Administration operates this program and four other programs established for veterans and servicemen under the National Service Life Insurance Act, 1940, as amended. These five programs are all 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.

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. 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, 1927, 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 (VA Regulations 3136 and 3137).

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

Policy Prefix - K

U.S. Government Life Insurance (USGLI) started in May 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 Insurance 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. For persons who entered the Armed Forces after July 2, 1921, and before October 8, 1940, USGLI was not available after the first 120 days, except upon reenlistment.

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. (After December 31, 1953, no insurance was in force under an N number.)

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).

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Advance Manual Change No. 1-83

September 7, 1983

CHAPTER 1 - INTRODUCTION

- A. Change: M29-1, Part 1, Chapter 1. This Advance Manual Change, along with Advance Manual Change No. 2-83 in M29-1, Part II, should clarify the use of the plan of insurance code "0" for NSLI policies issued to replace Insurance coverage lost when a Modified Life policy is reduced at age 65 or 70.

With the exception of those prefixed "JR", all replacement policies issued in connection with the Reduced Modified Life plan should be placed on the master record with the insurance plan code "0". This applies even for replacement policies in the "J", "RH" and "W" funds, the premiums for which are equal to the premiums for Ordinary Life policies for the same ages. If a Modified Life replacement policy is inserted into the master record with an insurance plan code of "1" rather than "0", an RPO with Reason Code A27 will be generated in the 910 run and the insurance plan code will have to be corrected at that time.

- B. Procedure: Pages 1-5 and 1-6, -delete subparagraphs 1.04b(7) and 1.04b(8) and the note following subparagraph 1.04b(8), and insert the following:

.. (7) Modified Life 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 in force 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. New or Revised
Insurance Forms: None

ROBERT W. CAR

Assistant Director

DISTRIBUTION:

	335/29	75
	310/290	50
	310/291	190
	310/Library	1
V	244C	10

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"NOTE": Servicemen 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 1 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.

Policy Prefix - RH

Service Disabled Veterans Insurance 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 1 year from the date of notification by the VA that a disability is service-connected (38 U.S.C. 722 [(a)]).

Policy Prefix - ARH

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. 722(b)).

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, these policies could be exchanged for a limited convertible term policy or converted to a permanent plan policy (W) (38 U.S.C. 723).

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 1-year reopened period.) (38 U.S.C. 725)

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. 725)

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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 nonservice-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 1-year period, the liability for payment will be limited only to the premiums paid on the policy. (38 U.S.C. 725)

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 724) remained in force.

c. 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.

1.02 PLANS OF INSURANCE (USGLI)

a. 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.) []

b. 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.

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(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 paying cease and the insurance because 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 he exchanges his term policy and by payment of the extra premium prescribed. 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 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 there to. (VA Regulation 3052(B)).

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, as amended, (RS) 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. 712, 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.

1 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. Effective May 1, 1965, the modified life-age 65 plan became available to present and future NSLI policyholders insurance age 60 and under, and the 1-year net single premium endowment plan became available to those eligible to apply for insurance under 38 U.S.C. 725. Effective July 1, 1972, the modified life-age 70 became available for NSLI policyholders age 69 and under.

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 Age 65-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, but the premium 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 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 the ordinary life plan to 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, or if such waiver is subsequently granted because total disability started before the 65th birthday, the amount that is reduced will automatically be replaced by the ordinary life plan. The premium rate for the ordinary life plan 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 the special V policies are different from those of the standard V policy.) The applicant must apply for the modified life plan prior to attaining the insurance age of 60 years.

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(8) Modified Life-Age 70-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, but the premium 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 the ordinary life plan 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 by the ordinary life plan. The premium rate for the ordinary life plan 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 the special V policies are different from those of the standard V policies.)

NOTE: *The replacement policy for J must be ordinary life whether the issue age is 65 or 70. The replacement policy for JR should be the cheapest 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 as 20-payment life. For issuance age 70, on all special class premiums, the policies will be issued as 20-payment life. If the insured wishes, he or she may request any other policy issued at age 65 or 70. JS replacement policies should be 20-payment life, unless the insured requests a 20-year endowment.*

c. No 1-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 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. With the exception of policies in the J series, the administrative cost in issuing and maintaining Government insurance is borne by the Government. An additional amount to cover administrative cost is charged for J, JR, and JS policies and the charge may be adjusted at the Administrator's discretion at intervals of not less than 5 years.

b. The administrative charge is on a per policy basis and does not vary with the amount of the policy. The charge is as indicated below:

Monthly	\$0A2
Quarterly	1.26
Semiannually	2.50
Annually	4.96

c. There is an additional administrative charge when a policy is placed on extended term insurance or is surrendered for reduced paid-up insurance. The charge is \$2 per \$1,000 insurance on all plans with the exception of the modified life which has been reduced due to the insured reaching age 65 [or 70.] If surrender is on or after age 65 [or 70] , the administrative charge is \$2 per \$500 insurance. [The policyholder will not be informed of the additional administrative charge.]

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 U.S.C. 722(b), assignment of all or any part of the beneficiary's

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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. 712, 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.

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. Effective May 1, 1965, the modified life-age 65 plan became available to present and future NSLI policyholders insurance age 60 and under, and the 1-year net single premium endowment plan became available to those eligible to apply for insurance under 38 U.S.C. 725. Effective July 1, 1972, the modified life-age 70 became available for NSU policyholders age 69 and under.

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 Age 65-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, but the premium 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 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 the ordinary life plan to 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, or if such waiver is subsequently granted because total disability started before the 65th birthday, the amount that is reduced will automatically be replaced by the ordinary life plan. The premium rate for the ordinary life plan 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 the special V policies are different from those of the standard V policy.) The applicant must apply for the modified life plan prior to attaining the insurance age of 61 years.

(8) Modified Life-Age 70-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, but the premium 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 the ordinary life plan 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 by the ordinary life plan. The premium rate for the ordinary life plan 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 the special V policies are different from those of the standard V policies.)

[NOTE: The replacement policy for J must be ordinary life whether the issue age is 65 or 70. The replacement policy for JR should be the cheapest 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 as 20-payment life. For issuance age 70, on all special class premiums, the policies will be issued as 20-payment life. If the insured wishes, he or she may request any other policy issued at age 65 or 70. JS replacement policies should be 20-payment life, unless the insured requests a 20-year endowment

c. No 1-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 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. With the exception of policies in the J series, the administrative cost in issuing and maintaining Government insurance is borne by the Government. An additional amount to cover administrative cost is charged for J, JR, and JS policies and the charge may be adjusted at the Administrator's discretion at intervals of not less than 5 years.

b. The administrative charge is on a per policy basis and does not vary with the amount of the policy. The charge is as indicated below:

Monthly	\$0.42
Quarterly	1.26
Semiannually	2.50
Annually	4.96

c. There is an additional administrative charge when a policy is placed on extended term insurance or is surrendered for reduced paid-up insurance. The charge is \$2 per \$1,000 insurance on all plans with the exception of the modified life which has been reduced due to the insured reaching age 65 [or 70.] If surrender is on or after age 65 [or 70], the administrative charge is \$2 per \$500 insurance. [The policyholder will not be informed of the additional administrative charge.]

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 U.S.C. 722(b), assignment of all or any part of the beneficiary's

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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 the VA. Any such assignment will, be ineffective as to proceeds paid prior to receipt of same in the 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. (VA Regulations 3062 and 3459)

1.07 TAXATION AND EXEMPTION

a. Payments of NSLI and USGLI as such 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) Effective January 1, 1958, payment of insurance to a beneficiary is subject to levy for taxes due the United States by such beneficiary.

(2) 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 the VA.

(3) 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. (VA Regulations 3062 and 3460)

b. Interest earned on dividend credits or deposits is taxable.

1.08 INCONTESTABILITY AND FORFEITURE

a. 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. The policy is issued 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 Administrator 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. (VA Regulations 3045 and 3462)

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). (VA Regulations 3045 and 346 l)

NOTE: The permitted class of beneficiaries are: (1) the widow or widower of the insured, if living; (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 the relationship, if living, in equal shares; (4) if no widow, widower, child or parent, to the brothers and sisters of the insured, if living, in equal shares. (38 U.S. C. 716(b))

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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. (VAR 3461)

d. No insurance will be payable on a JS policy in the event of death within the first 12 months after issue of the policy which is 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 1-year period. In such cases, the liability for payment will be limited to the premiums paid on the policy, less indebtedness, and will be paid to the designated beneficiary, if living; otherwise, to the insured's estate. (VA Regulation 3512.1(C))

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	3-1 12%	95
V	American Experience Table of Mortality <i>EXCEPTION: When participating insurance is converted to or exchanged for the modified life plans, [ages 65 and 70,j the premium rates for the modified life plans [ages 65 and 70j 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%.</i>	3%	95
H	American Experience Table of Mortality	3%	95
RH	Commissioners 1941 Standard Ordinary Table of Mortality	2-1 14%	99

RS	Commissioners 1941 Standard Ordinary Table of Mortality	2-114%	99
	Table X-18 (1950-54 Commercial Inter-Company Table of Mortality)	2-112%	100
J	1958 Commissioners Standard Ordinary Basic Mortality Table	3-112%	100
R	American Experience Table of Mortality	3-112%	95
JS	American Experience Table of Mortality	3-112%	95

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NOTE: The net premium rate for J, JR and JS was increased at time of issue by such an amount deemed necessary for sound actuarial operations. They may be adjusted from time to time as the Administrator determines to be necessary with the exception that premiums on J policies at intervals of not less than 2 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, 75.

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SUBCHAPTER 2. DISABILITY BENEFITS

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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.

d. 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

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 the disabled 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. 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 1 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 become payable in monthly payments of \$5.75 per thousand upon a finding of total permanent disability. This apply 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 even though such disability may continue for more than 240 months. If the insured should die while so disabled and before 240 monthly installments have been paid, the beneficiary would receive the remaining unpaid installments or the present value of the remaining unpaid installments in one sum if option 1 is selected by the insured.

d. If the insured should recover before receiving 240 installments, the present commuted value of the unpaid installments may be continued as insurance protection by the payment of premiums on the reduced amount of insurance.

e. Total permanent disability benefits may relate back to a date not exceeding 6 months prior to receipt of due proof of such total permanent disability, and any premium paid after receipt of due proof of total permanent disability and within said 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".

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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 due proof of such 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 1-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)

3. 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 insurance was on a premium-paying basis. On and after January 1, 1965, total disability may 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. 712)

b. The waiver of premiums may become effective on the first premium due date following the date total disability started but not more than 1 year before receipt of application from the insured. However, a waiver in excess of the 1-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 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 such disability must be submitted within 1 year after the insured's death. If the beneficiary is insane or a minor, such beneficiary may file application with evidence of the insured's right to waiver within 1 year after removal of such legal disability. If total disability is allowed in such cases, any unpaid premiums are collected at settlement. (38 U.S.C. 713)

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. 781.

(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 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 binder 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 months' 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 1 year after September 30, 1944, whichever was earlier.)

(6) Public Law 86497 (38 U.S.C. 712(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. 712(a), (b) and (c)) solely because he became totally disabled between the date of valid application for insurance and the subsequent effective date thereof, and in 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 (if 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 death, by the beneficiary within 2 years after the date of enactment of this law, except that if the insured or the beneficiary be insane or a minor within the 2 year period, application for such waiver may be filed within 2 years after removal of such legal disability, or if an insane insured shall die before the removal of the disability, application may be filed by the beneficiary within 2 years 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. 722(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 thereunder 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 such premium waiver is in effect.

1.14 TOTAL DISABILITY INCOME PROVISIONS (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. 1) 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 1 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 the 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 control, the application and required proof may be filed by the beneficiary within 1 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.

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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 60th birthday, whichever is later.
(April 25, 1951, to November 1, 1958.	\$5	RS	Prior to the insured's 60th birthday or the anniversary date of the policy nearest his 60th birthday, whichever is later.
Between November 1, 1958, and December 31, 1964.	\$10	All NSLI policies except RH	Prior to the insured's 60th birthday.
Beginning January 1, 1965.*	\$10	All NSLI	Prior to the insured's

**Between January 1, 1965, and December 31,1965, both dates include, the applicant had to apply for the provision before his 60th birthday. On and after January 1, 1966, the applicant must apply before his 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 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. 781(a) provided the disability provision was in force at the time the policy was surrendered for cash.

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 provision of 38 U.S.C. 781.

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CHAPTER 2. PREMIUMS (INSURANCE AND TDIP)

2.01 INSURANCE PREMIUM RATE AND DUE DATE

a. Insurance is granted in consideration of the payment of premiums and is 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. In addition, the monthly premiums on policies in the J series will include a monthly charge per policy to cover administrative costs. Policies with a JS prefix may also include a flat-extra premium for each \$1,000 of insurance based upon the severity of the disability which prevented the insured from meeting good health requirements at the time the insurance was issued.

b. Premium rates may be obtained from VA pamphlets. The pamphlets which also contain policy values are listed below with the numeric prefix under which they were issued:

(1) VA Pamphlet 9-2, Premium Rates and Policy Values for United States Government Life Insurance, and VA Pamphlet 90-2A, Special Endowment at Age 96-Rates and Values, contain premium rates and policy values for all policies with a K prefix.

(2) VA Pamphlet 29-5, Premium Rates and Policy Values for National Service Life Insurance, contains premium rates and policy values of insurance with a V or H prefix.

(3) VA Pamphlet [29-8 j (formerly 9-8 [and 90-8), Service-Disabled (RH) Veterans Insurance Information, Premium Rates and Policy Values,] contains [premium] rates and policy values for all plans of insurance with an RH prefix. []

(4) VA Pamphlet [29-12 (formerly 90-12),] Veterans Special Life Insurance Information, Premium Rates and Policy Values, contains premium rates and policy values for all plans of insurance with a W prefix. It also contains the premium rates for RS term insurance.

(5) VA Pamphlet 29-15, Veterans Service-Disabled Standard Insurance Information, Premium Rates and Policy Values, contains premium rates and policy values for policies with a J prefix. Also, Supplement to VA Pamphlet 29-15, Veterans Service-Disabled Standard Insurance, Reduced Premium Rates Effective October 1970, and Supplement II, VA Pamphlet 29-15, Veterans Service-Disabled Standard Insurance, J Policies, Reduced Premium Rates Effective October 1976.

(6)[(Deleted.)]

(7) VA Pamphlet 29-18, Veterans Service-Disabled Rated Insurance and Veterans Non-Service Disabled Insurance, contains premium rates and policy values for policies with a JR prefix. VA Pamphlet 29-18A, Veterans Service-Disabled Rated (JR) Insurance-Reduced Premium Rates Effective October 1976, contains reduced premium rates and policy values for policies with a JR prefix. Policies with a JS prefix have the same policy values as policies with a JR prefix.

(8) VA Pamphlet 29-21, Veterans Non-Service Disabled Insurance General Information and Premium Rates for Special Classes, contains premium rates for policies with a JS policy prefix.

(9) VA Pamphlet 29-72-3, National Service Life Insurance Information, Premium Rates and Policy Values for the Modified Life 70 Plan.

c. In addition, the following information pamphlets are available.

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(1) VA Pamphlet 29-1, United States Government Life Insurance Information and Premium Rates, K Policies.

(2) VA Pamphlet 29-3, National Service Life Insurance Information and Premium Rates, V-H Policies.

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

(4) VA Pamphlet 29-14, National Service Life Insurance Information About Waiver of Premiums and Total Disability Income Provision.

(5) VA Pamphlet 29-17, National Service Life Insurance Information and Premium Rates, J and JR Policies, contains the reduced premium rates effective with the October 1976 premium due date on all plans of insurance with a J or JR prefix. It also contains premium rates and guaranteed values at age 45 and general information on all plans of insurance with a J or JR prefix.

(6) (Deleted.)

(7) VA Pamphlet 29-20, National Service Life Insurance Information and Premium Rates, RS-W Policies.

(8) VA Pamphlet 29-23, National Service Life Insurance Total Disability Income Provision, Premium Rates on NSLI (V), (RS) and (W) Policies for TDIP "60" and TDIP "65" [] ; and VA Pamphlet 29-23A, National Service Life Insurance (V and W Policies), Calculating Instructions Applicable to Exchanges of TDIP "60" for TDIP "65" on [Permanent] Plans.

(9) VA Pamphlet 29-24, Refund Life Income and Monthly Installment Options for Payment of Cash Surrender Values and Matured Endowments, NSLI and USGLI.

(10) (Deleted.)

(11) VA Pamphlet 29-73-1, Information About Conversion and Premium Rates for National Service Life Insurance in the V, RS, W, II and RH Programs.

(12) VA Pamphlet 29-76-1, Term Insurance.

(13) VA Pamphlet 29-76-2, Insurance Dividend Amount Tables for U.S. Government [Life Insurance] and

National Service Life Insurance Programs.

[(14) VA Pamphlet 29-77-I, Dividend Options Fact Pamphlet for Government Life Insurance.

(15) VA Pamphlet 29-77-2, Information and Premium Rates for Veterans Mortgage Life Insurance, VMLI.

(16) VA Pamphlet 29-77-3, Facts About Beneficiary and Option Designations.

(17) VA Pamphlet 29-77-4, Veterans Special Life Insurance Information About Conversion and Premium Rates for W Policies.]

d. 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.

e. The monthly premium rate per thousand for a JS policy with the special class rating of maximum is the monthly premium rate per thousand on a J policy, plus the administrative cost and \$50 flat extra premium.

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2.02 TOTAL DISABILITY PROVISION PREMIUM (USGLI)

a. The premiums for this provision are level premiums, payable in the same manner and at the same time as premiums on the insurance policy.

b. On provisions issued before July 3, 1930, the premium on provisions granted on policies issued on the ordinary life, 20-payment life, 30-payment life, and 5-year convertible term plans, are the same at any given age. They are payable throughout the life of the policy, irrespective of the period during which premiums are required on the insurance contract. Total disability benefits granted in connection with the endowment policies cover total disability occurring within the endowment period and premiums are payable until the maturity of the policy.

c. On provisions issued on or after July 3, 1930, premiums are payable to age 65 on reduced paid-up life plans and on the 5-year level premium term, 5-year convertible term (whole life), and ordinary life plans. On endowment plans, including reduced paid-up, premiums on the provisions are payable to the end of the endowment period or age 65, whichever is earlier. On 20- and 30-payment life policies, premiums on the provision are payable to age 65 if the effective date of the provision is later than the effective date of

insurance. If the effective dates of the provision and life insurance (20- and 30-payment life) are the same, premiums on the provision are payable to age 65 or the end of the premium-paying period, whichever is earlier.

d. When a total permanent disability case with the total disability provision is rerated, the premium is based on the reduced amount of life insurance and the amount of the total disability provision in force at the time the insured was rated totally and permanently disabled. Full protection under the provision is restored if protection under the provision has not ceased due to the age of the insured.

2.03 TOTAL DISABILITY INCOME PROVISION PREMIUM (NSLI)

a. Premiums for this provision 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 will remain the same as it was 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

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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. If the plan of insurance is other than a limited payment life plan with a V, H, RS or W policy prefix. 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. If this occurs before the insured's 65th birthday.

(c). A reduction in premiums for TDIP riders on NSLI term policies was approved and made effective on the October 1970 premium due date. Premiums were reduced on all TDIP Age 60 and 65 riders (\$5 and \$10) attached to term policies with the following exceptions:

- (1) HD riders.
- (2) Age 65 rider and age at last renewal was 55 or over on the October 1970 due date.
- (3) TDIP riders terminated during October 1970.
- (4) Lapsed accounts (how paid l).]

2.04 MODE OF PREMIUM PAYMENT

a. Premiums are due monthly and payable in advance in legal tender of the United States. Foreign remittances at the current rate of exchange are acceptable. Payments may also be made annually, semiannually, or quarterly, in advance, in which case the premium payable will be discounted at the following per centum per annum:

V and H insurance	3 percent
RS and RH insurance	2-1/4 percent
W Insurance	2-1/2 percent
J, JR, JS, and K insurance	3-1/2 percent

b. On policies in the J series, the standard premium, flat-extra premium, if any, and the administrative cost charge must be computed separately.

2.05 GRACE PERIOD, COMPUTATION OF GRACE PERIOD AND ACCEPTANCE OF A LATE PREMIUM

a. A grace period of 31 days, excluding the due date, will be allowed 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. (VA Regulations 3035 and 3414)

b. 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. (VA Regulations 3031,3036,3412 and 3415)

c. Payments not tendered within the grace period but tendered during the lifetime of the insured and within 61 days of the premium due date may be accepted as timely. (VA Regulations 3018 and 3407.2)

d. When the postmark date on remittance-bearing insurance collections envelopes is missing or illegible, the Collections and Cashier Section in the Finance and Data Processing Division 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 batch numbers in 800-849 series. APO, registered and foreign mail will not be assigned a postmark date in this manner.

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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 the Finance Office of the hospital 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.

2.06 METHODS OF PAYMENT

a. Payment of premiums, including the total disability income provision and repayments on loan or lien accounts, may be made under one of the following methods:

(1) Direct Payments in the form of a check, draft or money order payable to the VA. 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. Payments may be made by a third party.

(3) Deduction From Benefits Paid by the VA (other than subsistence allowance)

(a) The authorization must be in writing over the signature of the insured, or his legal representative. If the insured is incompetent and has no legal representative and has a wife to whom benefits are being paid pursuant to 38 U.S.C. 3202(f) and VA Regulation 5057, she 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 his 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. (VA Regulations 3020(A) and 3408(A)).

(b) The monthly benefits due and payable must equal or exceed the amount of the monthly premium payment. (VA Regulations 3020(B) and 3408(B)).

(c) The deduction made from the benefit payment will be for the insurance and/or TDIP premium due in the succeeding calendar month, and 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. (VA Regulations 3021 and 3409) Where there is a delay in processing an establishment or increased authorization, a retroactive effective date will be processed provided the retroactive effective date is within 11 months of the current processing month and the arrearage can be deducted from benefit payments within a 6-month period. If the average amount cannot be deducted, the monthly deduction amount will be established as of the current processing month.

(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. (VA Regulations 3021 and 3409).

(e) The authorization may be canceled by the insured at any time by notice in writing to the VA. Such cancellation will be effective on the first day of the month following that in which it is received in the VA. (VA Regulations 3020(C) and 3408(C)).

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Chief Officer of a State hospital, or other institution, the authorization will cease and terminate at the termination of the institutional award. (If subsequent premiums are to be paid by deductions from monthly benefit payments and no other authorization was executed by the insured or his legal representative or his wife.) 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 (he failure to receive such notice will not prevent lapse of the insurance. (VA Regulations 3023 and 3411).

(g) The deduction authorized by a policyholder issued insurance in the J series will be automatically adjusted the VA to take cognizance of any premium adjustment made by the Administrator provided benefit payments sufficient to pay (he monthly insurance premium. (VA Regulation 3408(E))

(h) 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. (New authorizations will be required when the authorization for deductions presently in effect was submitted on VA Form 9-887, Authorization for Deductions From Veterans Administration Benefit Payments.)

(4) Employer Payroll Deductions if the VA has such an agreement with the employer. The initial deduction should be in an amount sufficient to pay premiums 1 month in advance. Where the initial remittance does not provide for advance payment, the insured will be advised of the discrepancy and the desirability of paying premiums on a month-in-advance basis. Such a letter will not be sent if the policyholders an employee of the American Telephone and Telegraph Company or one of their subsidiary companies. The VA cannot be a party to any agreement which may be made by the insured and his employer, and premium payments tendered by an employer which are not timely will cause the same lapse action to be initiated as would occur if the premium payment were remitted directly by the policyholder.

(5) Waiver of Premiums Under 38 U.S.C. 712 and 748 during a period of total disability as defined in the policy and in 38 U.S.C. 712 and 748. The waiver applies to both insurance and disability premiums. (On policies in the J, JR and JS series, the basic premium, the charge for the administrative cost and, if paid, the flat-extra premium will be waived under 38 U.S.C. 712.] A waiver granted under either section will suspend a waiver granted under 38 U.S.C. 724 (in service waiver).

(6) Waiver of Premiums Under 38 U.S.C. 724 (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 724.)

NOTE: The Servicemen's Indemnity and Insurance Acts of 1951 provided that NSLI or USGLI policyholders could apply for waiver of premiums while in service. Applications were not acceptable until the person had been in service for 31 days or longer and did not extend to premiums falling due prior to the application for waiver, between the second day of the second calendar month following entry into service, or before June 2, 1951. The right to apply for such waiver ended December 31, 1956; however, existing waivers would ~'o'itini".. unless terminated by the insured, from 120 days after separation from continuous active duty. Between December 23, 1953, and December 31, 1956, an in service wavier was automatically continued if the insured reentered service at any time within a 120-day period following separation from

service. Prior to December 23, 1953. and after December 31, 1956, reentry Into service must be on the date of separation or the following day to meet the requirements for continuous active duty.

(7.) Section 306 Liens (USGLI). Waiver of payment of premiums on the due date may be authorized in certain cases. This is not to be interpreted as waiver of premiums in the usual sense of the word. It is actually a deferment of payment of premiums because the premiums waived (deferred) create an indebtedness against the policy. (38 U.S.C. 760)

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(8) Dividends may be used to pay premiums in the following instances:

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

NOTE:: Prior to October 2,1967, dividend credits could be transferred between USGLI and NSLI `only upon request of the insured.

(b) When the 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 that an amount be deducted from the loan value of his 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 on one policy at any given time. However, second method may be selected for payment of an indebtedness against that policy. This includes deductions from service pay, deductions from VA benefits, and payroll deductions. A policyholder may have deductions from service pay to pay premiums and have deductions from VA benefits to reduce an Indebtedness.

2.07 APPLICATION OF PREMIUM PAYMENT

a. A payment received within 61 days from and after the premium due date and in the exact amount of a monthly, quarterly, semiannual or annual premium will be applied to advance the next premium due date. Such a remittance will also be applied as a monthly, quarterly, semiannual or annual premium with a shortage of not more than 10 percent of a monthly premium provided the shortage, plus any prior shortage, does not exceed 30 percent of a monthly premium.

b. When the remittance is sufficient to pay three or more monthly premiums but does not exactly equal a quarterly, semiannual or annual premium, it will be applied at a discounted rate.

c. Where the remittance is not sufficient to pay a quarterly premium, it will be applied as monthly premiums, except as indicated below:

(l) The last 2 months of a term or a premium-paying period are due, and the policyholders have been paying premiums on other than a monthly mode. The payment is 1 cent less than twice a monthly premium. This will occur in instances where the amount of insurance is not evenly divisible by 2.

(2) The premium for the 2-month period is calculated by multiplying the monthly premium for \$1,000 by 2; multiplying the results by the face amount of insurance and dividing by 1,000.

d. Where a remittance is for a premium on the life insurance and a premium for the total disability income provision but is less than the combined premium for both, the remittance will be applied:

(1) To The combined premium for insurance and TDIP, providing the shortage will not exceed 10 percent of the combined monthly premium or will not increase an existing shortage to an amount in excess of 30 percent of the combined monthly premium. The shortage will be on the premium for insurance.

(2) To the life insurance premium, if the shortage exceeds 10 percent of the combined monthly premium but not more than 10 percent of the life insurance premium provided the shortage will not increase an existing shortage to an amount in excess of 30 percent of the life premium.

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CHAPTER 3. LAPSE, REVIVAL AND REINSTATEMENT OF INSURANCE

SUBCHAPTER 1. LAPSE AND REVIVAL OF INSURANCE

3.01 GENERAL

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.

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 is in active service with the Armed Forces if an allotment has been authorized to cover premiums for such insurance and has not been discontinued even though no deductions from pay are made, or, if made, are not transmitted to the VA. (VA Regulation 3417)

(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. (VA Regulations 3022 and 3410)

(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 VA Regulations 3018 and 3407.2 (premium tendered during the lifetime of the insured and within 61 days from the premium due date) an envelope addressed to the VA containing money, check, draft, or money order in payment of premium. (VA Regulations 3017 and 3407)

e. A USGLI policy will not lapse if the insured meets the requirements for establishment of section 306 liens.

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

g. 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.

h. 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.

1. 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.

j. When a 5-LPT policyholder informs the VA his 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.]

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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. 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 as 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 (age 96 when premiums are based on the American Experience Table of Mortality) 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.

(4) On policies issued in the J series, a one-time charge will be made to cover the administrative cost for maintenance of the extended term insurance. The charge as shown in paragraph 1 .05c will be an indebtedness against the reserve but not against the face amount of the policy.

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. USGLI policies on extended term insurance are with rights to total and permanent disability benefits unless the plan of insurance is the endowment at age 96 plan.

f. Term insurance has no extended term insurance value.

3.03 REVIVAL OF INSURANCE

a. A participating NSLI or USGLI 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 on or after March 5, 1964, and before the next anniversary date of his policy following the date of lapse, and

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(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.

NOTE: No TDIP (total disability income provision) will be placed in force unless the TDIP lapsed at the same time as the life insurance and both are to be placed in force. The unpaid premiums will be collected from the dividends and benefits payable under the policy. (VA Regulations 3019(A) and 3407.3(A))

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 on or after June 1, 1965, 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.

NOTE: This provision provides that credits due and payable on one policy may be used to place another policy in force. However, it does not provide that credits due and payable on an NSLI policy may be used to place a USGLI policy in force or that credits due and payable on a USGLI policy may be used to place a NSLI policy in force prior to October 2, 1967.

No total disability income provision will be placed in force unless the TDIP lapsed at the same time as the life insurance and both are to be placed in force. The unpaid moneys will not be applied unless death or disability benefits will be granted. (VA Regulations 3019(B) and 3407.3(B))

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] , and

(3) The policyholder dies [or becomes totally or totally and permanently disabled] on or after June 1, 1965.
(VA Regulations 3019(B) and 3407.3(B),).

SUBCHAPTER 2. REINSTATEMENT

3.04 GENERAL

a. 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.

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b. An application for reinstatement, if otherwise in order, 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 30 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.

c. 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. Where an extended term insurance dividend has been paid, such dividend will be deducted from the dividend payable on the parent policy as a result of the reinstatement.

d. 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 and Chief, Insurance Operations Division], VA Centers St. Paul and Philadelphia, 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 he paid the amount necessary to meet reinstatement requirements;

(2) There is a satisfactory reason for the applicant's noncompliance. (VA Regulations 3080 and 3424)

3.05 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 comparative health or medical evidence is required, an application for reinstatement must be signed by the policyholder. Where the insured is incompetent, the application must be supported by evidence of the veteran's mental capacity to understand the nature of the act.

3.06 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.

3.07 REQUIREMENTS--TERM INSURANCE

a. [Title 38, United States Code, sections 705 and 745] provides that lapsed term insurance may be reinstated at any time within 5 years 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 on 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. On or after July 23, 1953, and prior to June 25, 1970, term insurance that lapsed in the 59th or 60th month of the term period could have been reinstated and renewed during the next term period. Lapsed limited convertible term (W) insurance may not be reinstated after the term period in which the insured reaches his 50th birthday.

b. The two premiums required for reinstatement must be tendered within 31 days of the date the application for reinstatement is executed (nonmedical) or within 31 days of the-date of the physical examination (medical).

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 he is in as good health on the date of application and payment of premiums as he was on flee last day of the grace period of the first premium in default.

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NOTE: A disabling condition existing at time of lapse which becomes total in degree between the end of the grace period and date of application will not be a bar to reinstatement.

(2) If application for reinstatement and payment of premiums is made on or after the due date of the seventh unpaid premium, a report of a complete physical examination showing that the insured is in good health on the date of application and payment of premiums is required.

EXCEPTION: VA Form 29-353a. Application for Reinstatement (Nonmedical-Insurance Age 50 and Under) is acceptable in cases in which life insurance and/or TDIP are lapsed for more than 6 months but not more than 1 year, and the insured's insurable age on the effective date of reinstatement is 50 or under.

d. The requirements for effecting reinstatement of the total disability income provision attached to term insurance are the same as those governing reinstatement of the life insurance to which it is attached.

3.08 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. (For example: The eligibility period for reinstatement of a policy which lapsed May 1, 1969, would end May 1, 1974, unless that day was a Saturday, Sunday, or legal holiday or unless the policy was an endowment plan with less than 5 years remaining in the endowment period. In the latter case, the eligibility period for reinstatement would end on the last day of the endowment period.)

b. Payment of all premiums in arrears is required. This includes the flat-extra premium, if any, and the administrative cost of policies (par. 1.05) in the J series. 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. Effective September 1, 1971, the interest charged on premiums in arrears in connection with the reinstatement of USGLI or NSLI is 5 percent per annum. The 5 percent interest applies only to those premiums due on and after September 1, 1971. Premiums that became due after July 31, 1946, and prior to September 1, 1971, will be charged interest at the rate of 4 percent per annum to the date of reinstatement. On premiums that became due prior to August 1, 1946, the interest rate is 5 percent per annum. [Effective October 1976, the premiums on J and JR policies were reduced. Therefore, payments in arrears for policies that lapsed prior to October 1976 will be charged at the reduced rates.] On policies in the J series, interest on the administrative cost and flat-extra premium, if any, will be computed and treated as premium interest. The fixed premium, flat-extra premium, if any, and the administrative cost must be computed separately when calculating premiums and interest on premiums in arrears.

c. Payment or reinstatement of outstanding loan or lien at time of lapse is required. If the insured was paid a termination dividend on a USGLI policy, the dividend will have to be repaid with interest at 31 percent upon reinstatement of the policy.

d. Submission of health evidence is required unless premiums in arrears and interest are submitted not less than 5 years before 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 time RH, J, or JR 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. If the insurance to be reinstated was issued as JS and the application is made within 1 year of the date of lapse, the disabilities, including natural progression, which permitted the granting of the insurance will be waived for the purpose of reinstatement.

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f. The amount required for reinstatement must be tendered within 31 days of the date the application is executed (nonmedical) or within 31 days of the date of the physical examination (medical).

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 (including the premium month of the first premium in default), a comparative health statement over the insured's signature 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: A disabling condition existing at the time of lapse which becomes total in degree between the end of the grace period and date of application will not be a bar to reinstatement.

(2) If application for reinstatement and payment of premiums is made on or after the due date of the seventh premium in default, a report of a complete physical examination, showing that the insured is in good health on the date of application and payment of premiums and interest, is required.

EXCEPTION: VA Form 29-353a, Application for Reinstatement (Nonmedical Insurance Age 50 and Under), is acceptable in cases in which life insurance and/or TDIP is lapsed for more than 6 months but not more than 1 year, and the insured's insurable age on the effective date of reinstatement is 50 or under.

h. The requirements for reinstatement of the total disability income provision attached to a permanent plan policy are the same as those governing the reinstatement of the life insurance to which it is attached if both lapsed at the same time, except that the TDIP may not be reinstated without the submission of health evidence.

3.09 INFORMAL APPLICATIONS FOR REINSTATEMENT

a. A remittance, series of remittances and/or credit which meet monetary requirements for reinstatement will be accepted as 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 ilk 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.)

3.10 INDEBTEDNESS AT TIME OF REINSTATEMENT

a. The payment or reinstatement of any indebtedness against the policy must be made, with interest, as an incident 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 except as noted in subparagraph b below. (VA Regulations 3078(A) and 3422(A)) However, insurance canceled because the indebtedness equaled or exceeded the reserve is not eligible for reinstatement.

b. Any indebtedness on a USGLI policy due to unpaid service premiums and premiums waived under authority of section 306 of the World War Veterans' Act, 1924, as amended, or 38 U.S.C. 760, may be reinstated even though the amount of such indebtedness exceeds the reserve of flu policy. (VA Regulation 3081)

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3.11 EFFECTIVE DATE OF REINSTATEMENT

Reinstatement is effected when an acceptable application and the required monetary payments are delivered to the 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 last monthly premium due date prior to the delivery or postmark of the application for reinstatement, except when reinstatement is effected on the due date of a premium; then in such case, that date shall be the reinstatement date. (VA Regulations 3078(B) and 3422(D)).

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**CHAPTER 4. ADMINISTRATIVE ADJUSTMENTS AND GRANTING
ADDITIONAL TIME FOR PAYMENT OF PREMIUMS
OR FILING APPLICATIONS**

4.01 CALCULATION OF TIME PERIOD

a. If the last day of any time period specified or allowed for filing applications for insurance, reinstatement of insurance, or for the payment of any premium due shall fall on a Saturday, Sunday or legal holiday, the time period will be extended to include the following workday. (VA Regulations 3031 and 3412) The extension also applies to change or waiver of a Government Life Insurance contract or any adjustment authority connected therewith.

b. When a holiday occurs on Saturday, the preceding Friday is a holiday for Federal employees. Also, when a holiday occurs on Sunday, the following Monday is a holiday for Federal employees. These are legal holidays for Federal employees and will be considered in determining the last day of a specified period for filing of applications or for payment of insurance premiums.

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 60 days may be granted for payment of premiums due. The premiums in any such case must be paid during the lifetime of the insured. (VA Regulation 3422(E))

4.03 CHECKS OR DRAFTS NOT PAID UPON PRESENTATION FOR PAYMENT

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 check or draft is drawn, or is due to an error in the check or draft and not lack of funds, the insured will be given 31 days from the date of notice to send an amount sufficient to pay all premiums through the current month. (VA Regulations 3017.1(A) and 3407.1(A))

NOTE: Since uncollectible remittances are automatically redeposited by Federal Reserve banks, a 31-day period for a replacement check will not be offered unless the policyholder states that the dishonoring of the check was due to error on the part of the bank.

b. Where a check or draft is returned because the bank on which it was drawn has been closed or where a check or draft has been lost or destroyed after deposit by the VA, the insured will be given 31 days from the date of notice to replace the remittance in question. Where the lost item is a money order, sufficient time will be given to obtain a replacement.

4.04 CHECKS OR DRAFTS ERRONEOUSLY EXECUTED

Where a timely premium payment is made by check or draft which is not presented for payment because it is erroneously executed and evidence shown that the remitter had sufficient funds in the bank on which the check or draft was drawn, the insured will be given 31 days from the date of notice to send an amount sufficient to pay all premiums through the current month. (VA Regulations 3017.1(B) and 3407.1(B))

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

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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, investigation should be made to see whether a disaster area was involved; and, if such is the case, 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 [Assistant Director for insurance and to the Chiefs, Insurance Operations Division], VA Centers St. Paul and Philadelphia. However, the period of time allowed may not exceed 90 days from the date of the disaster involved.

e. If the finance centers of the military departments become inoperative due to a natural disaster or war catastrophe, the insurance coverage will continue without lapse and, as soon as possible, payment will be brought up to date based upon the latest payment voucher, tape transmittal or 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 .]

4.06 ADMINISTRATIVE ERROR ON PART OF VA

a. Should it develop that incorrect information was given to the insured through an administrative error for which the VA alone was responsible and, because of this error, he failed to make timely payment of the premium, advantage of the error may not be taken to place the insured in a worse position than he would have occupied had the error not occurred. When an error of this type is disclosed 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.

NOTE: When there is sufficient time to permit the insured to remit the missing monthly premium prior to expiration of the grace period, it will not be considered that the insured was placed in a worse position than he would have been if the error had not been made.

b. Upon request of the insured, regular dividends which are payable as of the date of an administrative adjustment will be applied toward the cost of such adjustment. The adjustment and authorization of the dividend will be considered a simultaneous action in the same manner as when a dividend is applied to cover cost of reinstatement.

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 Chief, Insurance Program Management Division (290C), VA Center Philadelphia].

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4.07 ADMINISTRATIVE ADJUSTMENTS

1. When examination of a lapsed account shows that credits ([38 U.S.C. 707,1 or Adm. Dec. 902) 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 even though the statement of notice is returned unclaimed.

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 3 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), he will be permitted to continue his insurance if the conditions in paragraph a above are met.

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CHAPTER 5. DIVIDENDS

SUBCHAPTER 1. DIVIDENDS FOR CURRENT YEARS

5.01 GENERAL

a. The authority for payment of dividends on NSLI (National Service Life Insurance) and USGLI (United States Government Life Insurance) is contained in 38 U.S.C. 706 and 744. They are payable from gains and savings as determined by the Administrator, and are payable on the day before the anniversary date of the eligible policy unless the Administrator 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. Information on prior years' dividends is included in subchapters 2, 3, 4 and 5 [] -

c. The dividend rate scales are published in M29-2 (NSLI) and M29 A (USGLI) series.

d. Dividends are not payable on insurance:

(1) Issued under the provision of section 602(cX2) of the NSLI Act (H insurance).

(2) Issued under the provisions of 38 U.S.C. 722 [] or section 620 [] of the NSLI Act (RH [] insurance).

(3) [(Deleted by change 7.)]

(4) Issued under the provisions of 38 U.S.C. 704(c). Modified life converted or exchanged [] with a policy prefix of H, [or] RH [] or [insurance] issued under 38 U.S.C. 725 with policy prefix in the J series.

(5) 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. 704(c) or 725 (H, RH, [] J, JR, or JS).

(6) Issued under the provisions of 38 U.S.C. 725 (J, JR or JS insurance).

(7) On which premiums are waived under the provisions of 38 U.S.C. 724 (inservice waiver), or 38 U.S.C. 712d (disability waiver) during the period such waiver is in effect.

(8) Policies which are canceled: Dividends are not forfeited when insurance is canceled under 38 U.S.C. 711 and 754 (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 contract values existing on the date of cancellation.

(9) Policies fraudulently obtained even though premiums paid before the date of fraud decision are retained.

(10) Policies fraudulently reinstated from the date of reinstatement even though premiums from the date of reinstatement to the date of fraud decision are retained. 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.

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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; however, no dividend has been paid on reduced paid-up special endowment at age 96. Insurance in force as extended term insurance is eligible to participate; however, dividends are not currently being paid on extended term which arose from a modified life plan or which arose from any USGLI plan. The first dividends on modified life and the special endowment at age 96 were paid in 1969.

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, employee payroll payments, if waived under section 712 or 748 for total disability (except 712d), 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. The changes occur when an endowment plan is changed to a life plan, an endowment plan is changed to another endowment plan or at the request of the insured when a life plan is changed to an endowment plan.

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.

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 death, if death was before the current anniversary and the insurance was in force; or

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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

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(4) Premium due date following the month in which a policy matured because of total and permanent disability provided the premium for that month was paid; or

(5) 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) 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 complete 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 an overage. 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 and the dividend credit balance is less than \$1, 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 six options for disposition of dividends. They are:

(1) Dividend credit.

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- (2) Cash.
- (3) Deposit (permanent plans only).
- (4) Premium.
- (5) Indebtedness.
- (6) Paid-up additions (NSLI only).

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, if the insured gives specific delegations of authority to the attorney-in-fact, may request withdrawal of dividend credit or deposit moneys.

b. Changes of option except to paid-up additions, 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 premium(s) (insurance and/or TDIP) 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.

c. 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.

d. 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.

e. 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 legal guardian (includes guardian, conservator, curator, committee or trustee appointed by court order) [and requests for withdrawals from dividend credit or deposits submitted by a Federal fiduciary] and certified by a Veterans Services Officer, are acceptable. When the amount is less than \$350, the refund is made on the basis of the latest fiduciary of record (except on Philippine accounts) and VA Form 29-504, Notice of Payment Due Incompetent Veteran, is forwarded to the Veterans Services Officer. When the amount is \$350 or more, current (within 6 months) certification [] is required. On Philippine accounts, the dividend check will be addressed to the guardian [/fiduciary] in care of the Veterans Services Officer, Manila regional office, regardless of the amount of the dividend.

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b. When notice of termination of incompetency is received, the folder will be examined for record of any change of dividend option made by the legal guardian. If there was such a change, the insured will be advised of the option in force and that such option will remain in force unless a change is requested.

c. Selections [or] requests for change of dividend option [] submitted by a [Federal fiduciary] or other person acting in behalf of the insured, or by the insured while incompetent, are not acceptable. Unacceptable selections or requests will be noted as such and filed in the insurance folder. An explanation will be sent to the person making the selection or request unless that person is the incompetent veteran. If the request is from the incompetent veteran, the explanation will be sent to the fiduciary. If denial of the request for [] change of option is protested, [] the case will be sent to the Chief, Insurance Program Management Division (290) with a statement of [the facts].

d. When an incompetent veteran is hospitalized in a VA [medical center] and a legal guardian has not been appointed, the director of the [medical center] automatically becomes the trustee of personal funds of the veteran.

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. 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 on expiring or renewed term contracts, or both, when premium requirements to effect renewal or conversion have not been met;

(3) 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.

c. Dividend credit may be placed on deposit on the same permanent plan upon request of the insured. A dividend credit under one contract may never be transferred to a deposit account on another contract.

d. 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.

e. 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

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basic term contract is divided. The credits on the permanent plan policy may be changed to deposit upon request

(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.

f. 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.

g. 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 as Public Law 36, 82d Congress 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.

h. 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, payroll deductions, or deductions from VA benefits.

(2) Premiums are waived because of total disability.

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(3) After the last dividend which can be applied to pay premiums on life and/or TDIP, if any, on a limited payment life policy has been authorized.

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

(5) The policy is surrendered for 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. The option of record will not be changed if it is a valid one.

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, payroll deductions, or deductions from VA benefits.

(2) Premiums are waived because of total disability.

(3) The last dividend which can be applied to pay life and/or TDIP premiums on a limited payment life policy has been authorized. (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 Public Law 36 credits.

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.

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(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 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 paid-up insurance that the reserve plus dividends on deposit will purchase, the amount of 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 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 check 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, both of whom must be certified by a Veterans Services Officer. When the amount payable is less than \$350, the refund is made on the basis of the latest fiduciary of record (except Philippine accounts). When the amount is \$350 or more, current (within 6 months) certification is required. On Philippine accounts, the check will be addressed to the guardian/fiduciary in care of the Veterans Services Office, Manila regional office, regardless of the amount of the check.

NOTE: A VA Form 29-504, Notice of Payment Due Incompetent Veteran, will be sent to the Veterans Services Officer 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.

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**

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or lien account, the dividends will be applied (in the following precedence: (1) The largest 5 percent loan; (2) the largest 4 percent loan; and (3)] 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.

5.13.1 PAID-UP ADDITIONS OPTION

a. [This option became available on] July 1, 1972, [to] policyholders with V insurance [and on January 1, 1975, to policyholders with RS and W 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 dividend credits and deposits may not be used to purchase the paid-up additions.

b. Insureds who received their 1972 dividend in cash were offered the opportunity of returning their dividend check or an amount of money equal to or less than their 1972 dividend to purchase the paid-up additions. The return of the check or money must have been made during the lifetime of the insured and on or before December 31,1972.

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

d. Dividends due on lapsed or extended insurance accounts may be used to purchase paid-up additions, if a paid-up addition [exists and 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.

e. 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.

f. 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.

g. 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 and/or TDIP 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.

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h. 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 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.

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

i. 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 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.

j. 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.

k. 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 reserve 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 amount of paid-up life additions, with the difference in reserve 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 amount of paid-up life additions may not exceed the amount of paid-up endowment additions.

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

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m. 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.

(2) If an account was reinstated during the year 1972 and there were dividend credit and/or deposit balances, those credits and deposits could have been used to purchase paid-up additions if the request was postmarked on or before December 31, 1972.

n. 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.

o. 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.

p. When an insured with a dividend credit balance and a dividend deposit balance made application prior to December 31, 1972, to use only part of the total balance to purchase paid-up additions, the dividend deposit balance was used first leaving all or part of the dividend credit balance.

q. When a dividend credit or deposit was used to purchase paid-up additions, no part of the dividend could have been used to satisfy a lien indebtedness.

r. 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.

s. 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.

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

u. 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.

5.14 INTEREST RATES

a. Effective [January 1, 1979,] the interest earned on NSLI dividend credit and deposit accounts is $5\frac{3}{4}$ percent per annum. [The interest rates for prior years are shown in exhibit A.]

b. Effective [January 1, 1979,] the interest earned on USGLI dividend credit and deposit accounts is $5\frac{3}{4}$ percent per annum. [The interest rates for prior years are shown in exhibit B.]

EXHIBIT A. INTEREST RATE CHART
(NSLI)

<u>Period</u>	Percentage Rate
Prior to the 1965 policy anniversary date	3
1965 policy anniversary date through December 18, 1967	3/4
December 19, 1967 - December 31, 1970	4
January 1, 1971 - December 26, 1971	4/4
December 27, 1971 - December 31, 1974	4/2
January 1, 1975 - December 31, 1975	43/4
January 1, 1976 - December 31, 1977	5
January 1, 1978 - December 31, 1978	5/2

EXHIBIT B. INTEREST RATE CHART
(USGLI)

<u>Period</u>	Percentage <u>Rate</u>
Prior to December 19, 1967	3/2
December 19, 1967 - December 26, 1971	4
December 27, 1971 - December 31, 1974	4/4
January 1, 1975 - December 31, 1975	4/2
January 1, 1976 - December 31, 1977	43/4
January 1, 1978 - December 31, 1978	5/4]

5.15 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.

(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.

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5.19 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 where premiums were paid for 1 or 2 months during the dividend year prior to establishment or following discontinuance of an inservice 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.

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5.16 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

5.17 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.

5.18 USGLI DIVIDENDS

a. Payment of regular or annual dividends commenced in 1920. All policies have not participated in each yearly dividend, and it will be necessary to consult the dividend schedule to determine eligibility of a policy. Some exceptions are listed below:

(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 1961 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. Regular dividends due and payable after December 31, 1958, were held under the credit option unless the insured requested another option. Prior to that date 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.

5.19 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 inservice 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. 707)

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.

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d. Reduced paid-up policies participate 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.

e. 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.

5.19.1 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 will be authorized and paid under the same options and rules now in effect on other NSLI participating policies. The exceptions are as follows:

(1) The gross minimum dividend payable for 12 months is \$1.20. There is no minimum for periods covering less than 12 months.

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

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

(4) No dividend is 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 is payable on cases in which final lapse action was taken prior to January 1, 1975.

(6) No dividends are payable on extended term insurance cases except when there is pure endowment. On such cases, the dividend is payable only on the pure endowment amount.

(7) No dividends are payable on paid-up additions only.

(8) No dividends are payable on special ordinary life insurance policies.

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

5.20 DATE OF PAYMENT OF REGULAR DIVIDENDS

a. Regular or annual dividends are due and payable on the day before the policy anniversary date unless the Administrator declares 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]

5.21 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.]

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(l) **1948 and 1951 Special Dividend:** In the reinstatement of a participating NSLI policy, a dividend or supplemental dividend may be due if the number of paid months in the 1948 and/or 1951 dividend period is 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. 781 may be due a 1953 special dividend. The dividend payable on such a case is 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 will be determined by the Office of the Chief Actuary.

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

5.23 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 is 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). The interest factors for the 1972 accelerated dividends have been expanded to five places.

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EXHIBIT A. INTEREST FACTOR CHART - USGLI

Policy Anniversary Month	Number of Days	Interest Factor (31/2%)
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 (31/4%)
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 (41/4%)
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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

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EXHIBIT D. INTEREST FACTOR CHART-NSLI

Policy Anniversary Month	Number of Days	Interest Factor (41/2%)
January	None	None
February	None	None
March	28	.00345
April	59	.00727
May	89	.01097
June	120	.01479
July	150	.01849
August	181	.02232
	212	.02614
	242	.02984
	273	.03366
December	303	.03736

**SUBCHAPTER 3. REGULAR AND SPECIAL DIVIDENDS ON TOTAL DISABILITY
INCOME PROVISION (NSLI)**

5.24 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 1 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. 712 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 724 waiver was in force on the life insurance through the 1958 policy year. When TDIP premiums on a nonparticipating 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.

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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. 712 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. Inservice 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.

5.25 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

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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 are in paragraph 5.23. 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 are followed except that dividend overpayments resulting from accelerated dividends will not be deducted from the reserve available to purchase extended term insurance or reduced paid-up insurance.

5.22 ELIGIBILITY FOR DIVIDENDS FOR PRIOR YEARS

a. A lapsed policy may become 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 will 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 may be due if the number of paid months in the 1948 and/or 1951 dividend period is 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. 781 may be due a 1953 special dividend. The dividend payable on such a case is 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 will be determined by the Actuarial Staff (299).

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

5.23 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 is 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). The interest factors for the 1972 accelerated dividends have been expanded to five places.

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(3) The December 1 958 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, 1 was eligible for the special TDIP dividend. Also, if December 1958 became a skip month (term contract) by virtue of a reinstatement of both the insurance and the rider prior to June 1, 1 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

5.26 SPECIAL DIVIDENDS-GENERAL

a. A special dividend is a one-time distribution of an excess in the insurance fund. Generally, it is 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 dividend.

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 VA Form 29-5785b, Reply to Dividend Inquiry (38 U.S.C. 707 (b)). This will be considered as a complete response without further communication.]

5.27 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 insurance for each month the insurance was in force. The rate decreased at the older ages. Any indebtedness due the 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

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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 was 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.

5.28 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 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 inservice waiver was considered in reaching the minimum of 3 months; however, a dividend was not payable for the month or months the inservice 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.

5.29 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 or will not make the policy eligible.)

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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.

5.30 1961 SPECIAL DIVIDEND (RS AND W POLICIES)

a. [Originally RS prefixed policies were nonparticipating, 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 724 inservice 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.

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(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.

5.31 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 will not make the policy eligible for a special dividend.) Premiums were considered timely paid if paid within [61] days of the premium due date under VA Regulation 3407.2, by application of dividend credit, by application of Administrator's Decision No. 902 (April 15, 1952) credits, 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 a 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
SPI NELIG	4	Ineligible for 1963 Special Dividend

5.32 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 (including Whole Life 745) with effective dates of 1947 or prior. To be eligible, the December 1952 premium had to be timely paid and earned or waived under section 311 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 724 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 section 311; 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.

• 5.33 TERMINATION DIVIDENDS (USGLI)

a. Termination dividends are 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 1, 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.

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

(4) 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.)

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b. In a case where a 1961 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 provision of 38 U.S.C. 781, the dividend with interest must be repaid. Repayment of the termination dividend is not required in the replacement of insurance surrendered under the same provision.

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CHAPTER 6. REFUNDS

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) Checks for more than \$100;
- (2) Checks which accompanied a disapproved application;
- (3) Checks for which there is no method of recoupement should the check be returned; or

(4) There is a history of dishonored checks (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 the VA. Such amounts will be refunded, to the remitter only, even though the intended payee be apparent.

EXCEPTION: Money orders misdirected to and inadvertently deposited by the VA and paid by the post office will be refunded to the Bureau of Finance, Division of Money Orders, Post Office Department, Washington, D.C. 20260.

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. The refund may be made without contacting the [Veterans Services Officer] if [the name and address of a fiduciary are] indicated on the master record or on one of the following forms filed in the insurance folder:

(1) VA Form 29-4347, Notification of Rating of Competency or Incompetency of Veteran, or of Appointment, Recognition, Change or Discharge of Fiduciary;

(2) VA Form 27-4358, Request by Chief Attorney for Insurance Information;

(3) VA Form 29-505, Request for Information;

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(4) VA Form 27-555, Certificate of legal Capacity to Receive and Disburse Benefits.

NOTE: If there is evidence that payments of insurance or other benefits to the latest fiduciary of record have been suspended or withheld, a current VA Form 27-555 or other certification by letter will be obtained before [authorizing the refund.]

b. Refunds of [\$350] or more due an incompetent veteran [(except Philippine cases)] may not be made until a current VA Form 27-555 (within 6 months) or certification by letter is received from the [Veterans Services Officer] authorizing the refund. A VA Form 29-505 will be used to request the necessary certification.

c. Except in Philippine cases, refunds of any amount will be sent directly to the fiduciary, and a VA Form 29-504, Notice of Payment Due Incompetent Veteran, [(if applicable)], will be sent to the [Veterans Services Officer] - In Philippine cases, the refund will be sent to the fiduciary in care of the [Veterans Services Officer], Manila regional office.

[NOTE: A VA Form 29-504 will not be sent to the Veterans Services Officer if the fiduciary is a court-appointed guardian, or if a Director, VA hospital, is designated as custodian. A court-appointed guardian is identified as a guardian conservator, curator or tutor, committee trustee.]

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. The exception is when the refund of premium due when a disability waiver is granted. In these cases, the [Veterans Services Officer] 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, including the flat extra and administrative cost of the premium (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.

6.05 AUTOMATIC REFUND

The following types of credits will be refunded automatically:

- 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 automatically refunded. (See ch. 18, par. 18.21a)
- 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 712 or 748 waiver is in force.
- f. Premiums on term insurance paid beyond the effective date of section 724 waiver.

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- g. Overages of \$1 or more on permanent plan policies which are paid to the end of the premium-paying period.
- h. Premiums paid after the date of the insured's death.
- i. Premiums paid for any period after 24 months from the effective date of fraudulent issue, reinstatement, conversion or change of plan, or received after the date of finding of fraud. (See par. 6.07.)
- j. Loan or lien overpayments of \$1 or more.
- k. Reserve credits resulting from contract changes when premiums are being paid by payroll deductions, deductions from VA benefits, allotment from service pay, or waived because of total disability.
- l. Overages of \$1 or more on allotment accounts which place the account on a more-than-1-month-in-advance basis.

6.06 REFUND OF PURE INSURANCE RISK

a. The PIR (pure insurance risk) portion of premiums paid and earned on permanent plans of insurance during the period a section 724 waiver is in force is subject to refund. Such refunds will be initiated upon the termination of the section 724 waiver, due to the happening of certain events, or upon request by the insured. No refund will be initiated on request from the insured until expiration of 12 months from the termination date of the last preceding refund period.

b. The collection of indebtedness from PIR credit without the insured's consent is restricted to:

- (1) Shortages arising during the refund period;
- (2) Dividend overpayment(s) made for a period during which section 724 waiver is effective.

c. Refund of PIR will be automatic if one of the following events occurs while the insurance is on section 724 waiver, and if possible, the refund will be combined with the balance of the transaction:

- (1) Termination of waiver following separation from service.
- (2) Lapse of insurance.
- (3) Death of insured.
- (4) Receipt of request for termination of waiver.
- (5) Surrender for cash or paid-up insurance.
- (6) Maturity of endowment contract.
- (7) Expiration of payment period on a limited payment contract.
- (8) Reduction of face amount of insurance.
- (9) Authorization of an award for disability insurance benefits under 38 U.S.C. 712 or 748.
- (10) Change of plan.
- (11) Discovery of a dividend overpayment as outlined in subparagraph b(2) above.

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6.07 REFUND OF PREMIUMS IN FRAUD CASES

a. When USGLI or NSLI is canceled or voided for fraud and notice thereof is mailed after March 16, 1954, premiums paid for any period subsequent to 2 years after the date insurance was issued, reinstated or converted because of fraud 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.

b. For the purpose of calculating refund on antedated policies, the date of issue or conversion is the due date of the first full premium. The amount of any dividends, loan, or other insurance payment made as

a result of the fraudulent issue, reinstatement, or conversion shall be deducted from such refund. (VA Regulations 3046 and 3463)

6.08 AMOUNT REFUNDED

a. Earned premiums properly applied to an account and subject to refund because of 712 or 748 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 the current processing month will be calculated on a present value basis. [However, 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.

6.09 REFUNDS INVOLVING OVERAGES AND SHORTAGES

a. 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 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 RPO 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 30 percent of a monthly premium.

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CHAPTER 7. RENEWAL OF TERM INSURANCE

7.01 USGLI

a. History

(1) Public Law 194, 72d Congress, approved June 24, 1932, authorized the renewal of 5-year level premium term (5~) policies, issued under the provisions of section 391 of the World War Veterans' Act, 1924, as amended, for a second 5-year period at the premium rate for the attained age.

(2) Public Law 127, 75th Congress, approved June 1, 1937, authorized the renewal of 5LPT policies for a third 5-year period at the rate for the attained age.

(3) Public Law 556, 77th Congress, approved May 14, 1942, authorized the renewal of 5LPT policies for a fourth 5-year period at the rate for the attained age.

(4) Public Law 34, 80th Congress, approved April 15, 1947, authorized the renewal of 5LPT policies for a fifth 5 year period at the rate for the attained age.

(5) Public Law 101, 82d Congress, approved August 2, 1951, provided that at the expiration of any 5-year term period, a 5LPT policy may be renewed for a successive 5-year period at the attained age.

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

(7) Public Law 291, 91st Congress, approved June 25, 1970, provided that renewal shall be effective in cases where the policy is lapsed only if the insured makes application for reinstatement and renewal of his term policy within 5 years after the date of lapse.

b. Current Rules

(l) 38 U.S.C. 745 and VA Regulation 3170 provide that:

(a) All or any part of a USGLI policy on the 5 LPT plan, in any multiple of \$500 and not less than \$1,000 which is not lapsed at the expiration of any 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.

(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) The premium rates for term policies renewed after age 90 are the same as the premium rates for ordinary life policies issued at the same ages. Since the rates are the same and ordinary life policies have guaranteed values, term insurance in force on a premium-paying basis will be converted to the ordinary life plan instead of being renewed at age 91 or over.

(e) A 5LPT policy which lapsed for nonpayment of the premium due can be reinstated and renewed within 5 years of date of lapse. This applies to all term policies that have been lapsed for not more than 5 years prior to June 25, 1970, provided the insured:

Submits written application for reinstatement of the insurance;

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2. Tenders two monthly premiums, one for the expired term, and one for the month of reinstatement at the rate for the new term and

3. Meets the Usual health requirements for reinstatement.

(2) Information about exchanging a USGLI term policy to the special endowment at age 96 plan policy will be furnished the insured 1 month prior to his 65th birthday and on each renewal at age 65 and over. (Where renewal at age 65 is within 3 months of the insured's 65th birthday, one notice about exchange will be suppressed.)

(3) VA Regulation 3123.2 provides that if USGLI on the 5LPT plan (or on the 5CT plan) matures or has matured because of total and permanent disability, and the insured recovers from such disability after expiration of the term period, the reduced amount of insurance (commuted value of remaining unpaid (guaranteed 1 installments) shall be automatically renewed at the premium rate for the attained age of the insured on the policy anniversary renewal date of the current 5-year period.

(a) The reduced amount of Insurance, or any part thereof in multiples of \$500 and not less than \$ 1 ,000 may be:

1.. Continued, without medical examination, on the 5LPT plan; or

2. Converted to any permanent plan, except the special endowment at 96 plan policy, upon application (without medical examination).

(b) The first premium on the reduced amount of insurance for the plan selected is payable on the first day of the month following the month for which the last installment under the total and permanent disability rating was paid to the insured. However, it may be paid within 31 days from the date of notice, advising of the amount of insurance and the monthly premium rate. Subsequent premiums will then be payable in accordance with the terms and conditions of the policy.

7.02 NSLI

a. History

(1) The original NSLI Act of 1940, 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 1 i8, 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 1, 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 51-PT policy may be renewed for a successive period of 5 years.

(5) Prior to July 23, 1953, an application was required to effect 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.

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(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 effected 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. 705 and VA Regulation 3485 (A) and (B) provide that:

(a) All or any part of an NSLI policy on the 5LPT plan or limited convertible 5LPT plan, except as explained in subparagraph (2) below, [] 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) The premium rates for V or II term policies renewed after age 90, and RH term policies renewed after age 94, are the same as the premium rates for ordinary life policies issued at the same ages. Since the rates are the same and ordinary life policies have guaranteed values, term insurance in force on a premium-

paying basis will be converted to the ordinary life plan instead of renewing V or H policies at age 91 or over, or RH policies at age 95 or over.

(e) Public Law 91-291, effective June 25, 1970, provides that any 5LPT policy that lapsed for nonpayment of the premium due may be reinstated and renewed within 5 years of the date of lapse. Except for the limited convertible term (W) insurance policies that cannot be renewed because the insured has passed his or her 50th birthday, the new law applies to all term policies that have been lapsed for not more than 5 years prior to June 25, 1970. On and after July 23, 1953, and prior to June 25, 1970, a 5LPT policy that lapsed for nonpayment of the premium due for the 59th or 60th month of the term period could have been reinstated and renewed in accordance with subparagraphs (a) through (c) above. A limited convertible term (W) insurance policy that lapsed in the 59th or 60th month of the term period could have been reinstated and renewed under the same conditions provided the insured had not passed his or her 50th birthday before the end of the term period in which the lapse occurred. Reinstatement and renewal under these conditions are or were available to the insured provided he or she:

- 1 - Submits written application for reinstatement of the insurance;
2. 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
3. Meets the usual health requirements for reinstatement.
 - (i) 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.

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(2) VA Regulation 3485 (C) provides that W insurance on the limited convertible 5LPT plan may not be renewed after the insured's 50th birthday. However, 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 continuous protection and waiver of premiums, the term insurance, in the absence of instructions from the insured to the contrary, will be automatically converted to an ordinary life policy in accordance with the following:

- (a) The ordinary life policy will be issued in the same amount and on the same reserve basis as the limited convertible term insurance;
- (b) The effective date will be the day following the expiration of the term period; and
- (c) The premium for the ordinary life policy will be at the applicable premium rate for the attained age of the insured on the effective date.

(3) Insurance protection under a limited convertible 5LPT policy terminates on the last day of the term period in which the insured reaches age 50. Procedure provides that 1 year before the expiration date of the last term period, the insured will be notified of the date protection under his or her policy will cease and advised of conversion requirements. A final reminder will be sent to the insured 90 days before the expiration date. However, if the final term period ends and timely notification has not been released to the insured, a letter will be sent to him or her expressing regret for the error and allowing him or her 31 days from the date of the letter in which to meet conversion requirements. If requirements are not met within the 31-day period, protection will cease as of the expiration date of the final term period.

(4) If a W policy on the limited convertible 5LPT plan is erroneously renewed after the insured's 50th birthday, he or she will be notified of the error and allowed 60 days from the date of the letter in which to apply for conversion to a permanent plan. Any amount not converted will cease at the end of the 60-day period.

(5) When an insured tells the VA he or she is not renewing the term insurance because he or she cannot afford to pay the higher premiums, he or she 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. If the total disability income provision is attached to the expiring term policy, the following options will be available to the insured at the old premium rate:

(a) [The insured may 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 and TDIP in equal amounts, or

(b) [The insured] may drop the TDIP and use the combined insurance and TDIP premium he or she has been paying to renew the insurance only.

(6) 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, [the insured] will be advised that he or she may reduce the insurance to an amount he or she can afford. If TDIP is in force on the policy, [the insured] will be told that if the insurance is reduced below \$ 1 ,000, the TDIP will be terminated.

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CHAPTER 8. LOANS

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

- (1) 38 U.S.C. 706, VA Regulation 3428 (NSLI).
- (2) 38 U.S.C. 744, VA Regulations 3100 and 3101 (USGLI).

b. A loan may be granted on any policy issued on a permanent plan which has a loan value and is in force on a premium-paying basis or as paid-up insurance [;also, 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. The 5-year convertible term (whole life) (K) plan of insurance has a loan value after expiration of the 6th policy year and before default in payment of any subsequent premium. (The first 5 years of these policies were on the term plan.) All other permanent plans of insurance have a loan value at the end of the first policy year.

c. A loan may not be granted while a claim for total and permanent disability is pending or in amount to exceed 94 percent of the reserve of the policy. 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.

d. Application for a loan may be made on:

- (1) VA Form 29-1547, Application for Policy Loan, or
- (2) VA Form 29-5772, Loan and Cash Surrender Values (Government Life Insurance), or
- (3) (Deleted by change 1.)
- (4) Any type of document or letter 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.

e. When processing loans for the maximum amount or requests for loan information, the full loan value including dollars and cents, will be used.

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. 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.
- 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 the State law.

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8.03 REQUIREMENTS FOR GRANTING AND PROCESSING LOANS

a. Requirements for granting a loan are as follows:

(1) The application must be completed properly and signed by the insured. [] 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. [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. When a loan is processed for the amount expressed in figures and it is less than the maximum amount of loan available, a letter will be released to the insured explaining the reason for VA action and asking the insured if it had been his or her intent to apply for a maximum loan, to complete the enclosed VA Form 29-1547.1

(2) A VA Veterans Benefits Counselor advises by telephone that a policyholder has identified himself or herself, completed and signed an application for a loan, and is in urgent need of funds.

(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 W delayed if the remittance was a certified check, money order, or [a] deduction from VA benefits, service pay, or payroll deduction.

(2) If the loan cannot be processed within 5 workdays, the insured will be advised of the reason for delay.

(3) The loan application will be processed without regard to the date of a recent premium payment. 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 5 percent loan is granted on a policy with an outstanding 4 percent loan, two loans must be established and treated separately from the standpoint of maintenance and loan interest billing. Both loans will have the same anniversary date. Interest on the 4 percent loan is capitalized to the month and day of the new loan.

8.04 EFFECTIVE DATE OF LOANS

a. 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. In no instance will the effective date of a loan be earlier than the due date of the 12th month of the policy.

(1) 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 date of the application.

(2) 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 check is mailed.

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(3) 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 ante dated 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.

(4) 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 including section 306 liens 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 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 told 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.

NOTE: In granting loans on policies with a section 304 indebtedness, the cash actually paid to the insured is limited to the amount the maximum loan value exceeds the section 304 indebtedness.

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. (Premiums include life, or life and TDIP premiums if both are due, or TDIP premiums only if due and payable on paid-up life insurance.) However, if there is a dividend credit balance sufficient to pay the unpaid premium(s), the application will be processed and the premium will be deducted from the credit by the computer at the next premium callup date. 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.

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 date of the loan application will be used as the postmark date of the deductions.

8.06 GRANTING A LOAN AS AN 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. (A 306 lien may be reinstated even though the indebtedness exceeds the cash surrender value.)

c. In granting a loan as an incident to reinstatement, a check 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.

8.07 ISSUANCE OF A LOAN CHECK

Loan checks will be made payable only to a competent insured at the address given on the loan application or the address given by the attorney-in-fact. When the insured is incompetent, the loan will be made payable to the guardian, committee, conservator, curator or trustee of the insured and in accordance with the rules in paragraph 8.02. On Philippine accounts when the insured is incompetent, the loan check will be sent to the fiduciary in care of the [Veterans Services Officer at the Manila regional office.

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 check or before VA Form 29-1468b, Notice of Approval of Policy Loan, is released in a no-check case.

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

(1) The insured states he or she does not want the loan and it develops that the VA erred in granting 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 unreasonable (10 workdays).

(2) The loan was granted to an insured who is incompetent or insane.

(3) The check was returned because of death of the insured.

(4) The check was returned as undeliverable and cannot be remailed immediately.

(5) The check was issued in foreign currency.

8.09 LOAN INTEREST AND LOAN CREDIT

a. Interest charged on loans granted on and after January 11, 1971, is at the rate of 5 percent per annum on NSLI and USGLI policies. From August 1, 1946, through January 10, 1971, the rate of interest was 4 percent per annum. Loans granted during this period will continue at the 4 percent interest rate after January 10, 1971. When an insured with a 4 percent loan makes application after January 10, 1971 for an additional loan, the original loan will remain at 4 percent and the additional loan will be at 5 percent. Prior to August 1, 1946, the rate of interest on NSLI policies was 5 percent per annum. On USGLI policies from July 19, 1939, through July 31, 1946, the rate of interest was 5 percent per annum and prior to July 19, 1939, the rate of interest was 6 percent per annum. Failure to pay either the loan or interest will not void the policy unless the total indebtedness equals or exceeds the cash value.

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:

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(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) 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 interest billed.]

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, total permanent disability 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 account 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, payroll deductions, 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 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 or 30) unless 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 the Collections and Cashier Section, Finance [] Division. (The Collections and Cashier 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.)

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, total permanent disability, 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 5-LPT, a loan may be granted on the paid-up additions only. Any unpaid term insurance and/or TDIP 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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**CHAPTER 9. LIEN, LOAN, FINANCE, INTERNAL REVENUE
SERVICE AND SERVICE DEPARTMENT
INDEBTEDNESS**

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.

c. 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 1 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.

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(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 1 year interest free period.

(3) 2-overpayment lien.

(4) K-overpayment lien, more than 1 year 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.

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(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 724 waiver on a term policy was made during the grace period of the first unpaid premium preceding the effective date of the waiver.

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(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.

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.

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c. A record of all levies processed will be maintained for statistical purposes.

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.

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(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. 707 and 746.

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 following 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.

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.

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(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.

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

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the option of record. If 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.

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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 1 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.

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.

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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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**CHAPTER 10. SURRENDER FOR CASH OR REDUCED PAID-UP
INSURANCE SUBCHAPTER 1. GENERAL****10.01 POLICIES WITH CASH VALUE**

a. A term policy has no cash value. All permanent plans of insurance in force by payment or disability waiver of premiums have cash values upon completion of the first policy year except the USGLI Five Year Convertible Term (Whole Life) plan of insurance. That plan has a cash value at the end of the sixth policy year provided premiums at the Whole Life (Ordinary Life) rate have been paid beginning with the sixth policy year following the effective date of the original issue and the policy is in force by payment or waiver of premiums. The sixth year of a Whole Life policy is identical to the first year of an Ordinary Life policy. For each month after the sixth policy year for which month a premium has been paid (or waived) and earned, the cash value is increased by one-twelfth of the increase in reserve for the current policy year. On other permanent plans, 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. Authority for surrendering a policy for its cash value or for reduced paid-up insurance is included in:

- (1) 38 U.S.C. 706 (NSLI).
- (2) 38 U.S.C. 744 (USGLI).
- (3) VA Regulations 3427, 3430 and 3512 (NSLI).
- (4) VA Regulations 3110, 3115, 3116 and 3117 (USGLI).

10.02 PERSONS WHO MAY SURRENDER A POLICY

a. The insured, if competent.

b. The insured through an attorney-in-fact, provided the insured gives specific power of attorney to negotiate

the surrender and specifies the policy or policies to be affected.

c. The [] legal guardian (committee, [conservator, curator, or trustee]) for an incompetent insured, provided the application is supported by a court order from the court of jurisdiction, if required by State law, or an order under local court practice which authorized the surrender.

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 which may be recovered from the reserve.

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. When the allotment is on a current basis, the cash value will be established as of the last day of the premium month prior to the premium month in which the application was submitted.

b. **Premiums Paid By Deduction From VA Benefits.** The last day of the premium month in which the application was submitted.

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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.

SUBCHAPTER 2. SURRENDER FOR CASH

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 the VA or as of the date of the check 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 previously surrendered for reduced paid-up insurance may be surrendered for its cash value.
- d. Policies surrendered for cash are not eligible for reinstatement except those cash surrendered after April 24, 1951, and before January 1, 1957, while the insured was in active service and are reinstated under the provisions of 38 U.S.C. 781.
- e. There is no waiting period before paid-up additions are eligible for cash surrender.
- f. 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.
- g. 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.
- h. When paid-up additions only are surrendered for cash, the proceeds are payable in a lump sum.

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.

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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. **Sections 304 and 306 Liens.** A section 304 or 306 lien will be deducted from the reserve if the USGLI policy on which the indebtedness exists is surrendered for cash.

e. **Finance indebtedness** will be deducted from the reserve of a policy surrendered for cash. 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.

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10.09 REFUND OF CREDITS

The following credit items will be refunded in a lump sum with the first **check**:

- a. Unpaid dividends.
- b. Dividend credits and deposits.
- c. Pure insurance risk credits.
- d. Premium overages.
- e. Unused premiums.

10.10 EFFECT OF SURRENDER

When a policy is surrendered for cash, all rights and privileges under the policy are surrendered also.

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 (Government Life Insurance), or
- b. VA Form 29-5772, Loan and Cash Surrender Values (Government Life Insurance), or
- c. 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 if all other requirements are met.

10.13 DISABILITY WAIVER

When an application for cash surrender pertains to a policy on which premiums are waived due to total disability, the application will be disapproved. If there is any question of competency, the application will be sent to the Insurance Claims Section. Otherwise, a letter explaining why [the] original application for cash surrender has been disapproved, will be sent to the insured. VA Form 29-1546, Application for Cash Surrender Value, and VA Form 29-1547, Application for Policy Loan, will be enclosed. If the insured resubmits an application for cash surrender, [the] request will be referred to the [Chief, Insurance Operations Division,] for consideration.

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. VA Forms 29-1546 and 29-1547, with a self-addressed kraft envelope, will be sent to the insured for his or her use. When the insured expresses an urgent need of funds, the informal application will be sent to the [Chief, Policy Service Section,] or his or her designee, for approval as an informal loan application.

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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. Conservation letters will not be sent when a formal application is received unless a disability waiver is in force, a claim for disability benefits is pending, or total permanent disability benefits are being paid.

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 LAPSED USGLI POLICY

A USGLI policy will be surrendered for its net cash value as of the date through which premiums are paid if the request is submitted within 3 calendar months from the due date of the premium in default. Otherwise, it will be surrendered under extended term insurance.

10.17 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-[1468b, Notice of Approval of Policy Loan,] the effective date will be based on the original request.

10.18 PAYMENT OF CASH SURRENDER VALUE

a. A check for the cash surrender value will be made payable to a competent insured only to the address given on the application or to the address given by an attorney-in-fact. If the insured is incompetent, the check will be made payable to the [court-appointed] fiduciary (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 [Veterans Services Officer 1 except in Philippine account cases. In [Philippine] cases, the check [must] be sent to the [court-appointed] fiduciary in care of the [Veterans Services Officer] at the Manila regional office, if the insured is incompetent.

b. The insured, if competent, or the [court appointed] fiduciary, if the insured is incompetent, may take the cash surrender value in one sum (option 1). Effective January 1, 1971, the cash surrender value may 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. The payment of a cash surrender value under option 2 and RLI was authorized by Public Law 91-291. 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.

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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.

10.18.1 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. All cash surrenders are final as of the end of the policy month in which the surrender was requested, or as of the date of the surrender check, whichever is later. However, if a request for cancellation of an application for cash surrender is received before the issuance of the surrender check, the application will be disapproved. If the cancellation request is received before the date of the surrender check (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 check.

b. A cash surrender reversal action will be automatically effected if the surrender check (Treasury check) 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 check 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 check 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) The request for cancellation is mailed more than 31 days after the date of the surrender check and the insured explains the delay and states his or her misunderstanding of the surrender action. If he or she fails to do this, advise the insured that the surrender action is final, and the surrender check will be returned to him or her.

NOTE: A request for cancellation will also be honored if the insured states that he or she is holding the surrender check and meets one of the conditions in sub paragraph (1), (2), or (3) above.

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c. A request for cancellation of a cash surrender will be effected if the surrender check (Treasury check) is not returned, and there is no indication as to what disposition has been made of the check and one of the following conditions are met:

(1) The insured requests cancellation of the surrender within 15 calendar days from the date of the surrender check and the letter clearly indicates a misunderstanding in requesting cash surrender. He or she will be allowed 15 calendar days to return the surrender check or an equivalent amount. A loan may be granted as part of the amount required, if desired.

(2) The insured requests cancellation of the surrender from 16 to 31 days from the date of the surrender check, and the letter clearly indicates a misunderstanding in requesting cash surrender and a satisfactory explanation for the delay in requesting cancellation of the surrender. He or she will be allowed 15 calendar days to return the surrender check or an equivalent amount. A loan may be granted as part of the amount required, if desired.

d. A request for cancellation mailed more than 31 days after the date of the Treasury check 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 Treasury check, clearly explains a misunderstanding, and advances reasons beyond his or her control as the cause of the delay in submitting the request.

e. 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 Chief, Insurance Program Management Division (290), VA Center, Philadelphia. In these cases, return of the Treasury check will not be requested.

f. 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 Treasury check or an amount equal to the check must be returned to the VA.

g. Processing of a request for cancellation of a cash surrender will be expedited in all stages.

[h. A cash surrender reversal action will be effected whenever the check is 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.

NOTE: If the check for cash surrender is returned after the period specified above, the ease will be forwarded to the Chief Insurance Program Management Division (290), VAC Philadelphia, for a determination as to whether the insurance may be restored.]

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. If it is determined, after the automatic surrender date, that the insured was not sent a 90-day notice, a letter will be sent informing him or her that he or she has 90 days from the date of the letter to reduce the indebtedness to prevent the automatic surrender. If the insured has died, the insurance will be considered in force to the date of death. However, if the indebtedness as of the date of death equals or exceeds the proceeds of the policy, a claim will not be processed.

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.

SUBCHAPTER 3. SURRENDER FOR REDUCED PAID-UP INSURANCE

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.

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10.22 TIMELY APPLICATIONS

- a. 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).
- b. An application for reduced paid-up USGLI may be approved if it is submitted within 3 months from the date of any premium in default. The cash value in such cases will be established as of the last day of the premium month for which a premium was paid or waived.

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. A TDIP (total disability income provision) may be continued on a reduced paid-up policy provided the amount of paid-up insurance is not less than \$1,000, by paying the required premiums as they become due. The amount of the total disability income provision will be the highest multiple of \$500 that is not in excess of the amount of paid-up insurance.
- e. 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.

f. 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.

g. 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.

h. 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.

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 -

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(4) Section 306 Lien. A section 306 lien will be deducted from the reserve of the USGLI policy surrendered for reduced paid-up insurance.

b. In addition, there is an administrative charge on policies in the J, JR and JS series surrendered for reduced paid-up insurance. The administrative charge of \$2 per \$1,000 or \$2 per \$500 (see par. 1.05) is a charge against the reserve of the policy being surrendered.

[c. 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, or

- b. Any type of document which clearly expresses the intent of the insured.

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, 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 insurance folder and a current RPO (record printout) will be forwarded to the [Chief, Insurance Program Management Division (290C), VA Center Philadelphia] 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.

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CHAPTER 11. MATURING ENDOWMENT

11.01 NOTICE OF MATURING ENDOWMENT POLICY

a. (Deleted.)

b. 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, or a VA Form 29-5767, Maturing Endowment Notification, will be sent to the insured. If the amount payable is \$2,500 or less, the VA Form 29-8348 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 check for the amount payable will be sent in a few days. If the amount payable is more than \$2,500, a VA Form 29-5767 will be sent to insured. It informs him or her of the maturity of the policy, the type of insurance that is maturing and that a check for the amount payable will be sent in a few days. 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 not cash the check when it arrives. Instead, the insured should complete the reverse side of the VA Form 29-5767, indicating the option under which the proceeds are to be received, and return the form with the check to the originating VA office.

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 effected by the insured if competent. If the insured is incompetent, [the VSO (Veterans Services Officer) of the regional office having jurisdiction of the veteran's claims file will be contacted by the use of VA Form 29-505, Request for Information.]

(1)(The VSO will be advised of the amount of the matured endowment and will be asked to designate an appropriate fiduciary to which the proceeds are to be paid. The designee may include a legal custodian (Federal fiduciary).]

(2)(If there is evidence that a legal guardian has been appointed and the VSO certifies that payment should be made to an individual other than that guardian, the case will be referred to the Chief, Insurance Program Management Division (290), for review before any payment is made.]

c. The proceeds of a matured endowment may be paid in one sum (option 1), in equal monthly installments (36 to 240), in multiples of 12 (option 2), or in installments under the RLI (refund life income) option. The RLI became effective January 1, 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.

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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 APPLICATION WHICH MAY BE USED FOR SETTLEMENT OF THE PROCEEDS

Application for settlement of the proceeds of an endowment policy may be made on VA Form 29-5767, or on any type of document which clearly expresses the intent of the insured.

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 outstanding loan, loan interest, statutory lien, and statutory lien interest. The following types of indebtedness will be collected from the initial payment(s) unless the indebtedness is greatly in excess of several monthly installments:

- (1) Premiums due VA.
- (2) Total disability overpayment.
- (3) Administrative lien and interest.
- (4) Other indebtedness, including finance and service department indebtedness.

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.

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 out to the next higher dollar.

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- (2) Total disability overpayment.
- (3) Administrative lien and interest.
- (4) 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.

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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. PIR credits.
- d. Premium overages and unused premiums.

11.07 ISSUANCE OF CHECK FOR PROCEEDS OF A MATURED ENDOWMENT

- a. The check for the proceeds of a matured endowment policy will be made payable to the insured, if competent, at the address furnished by him or her.

b. If the insured is incompetent, the check will be made payable to the [payee certified by the VSO] (Veterans Services Officer). () A VA Form 29-504, Notice of Payment Due Incompetent Veteran, will be sent to the appropriate VSO, except in Philippine cases. In competent Philippine cases, the check will be sent to the (designated payee] in care of the VSO at the Manila regional office. (Cases pending the appointment of a certified payee] will be held in abeyance.

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 BENEFICIARY DESIGNATIONS AND OPTIONAL SETTLEMENT SELECTIONS ON MATURING ENDOWMENT POLICY

a. If the insured has elected to receive the proceeds of his or her maturing endowment policy under option 2 (36 to 240 installments) or option 5 (refund life income), he or she may elect that, upon death, the present value of any remaining unpaid guaranteed installments be paid to the beneficiary in one sum or continue to be paid to the end of the guaranteed period under the original option. If the beneficiary or option information furnished on the VA Form 29-5767 is not clear or if an unacceptable option is selected, a statement will be prepared on bond paper and sent to the insured for completion and signature. The statement will clarify his or her beneficiary and option election. A copy of the incomplete or inadequate designation will be enclosed. A copy of the statement will be filed in the folder.

b. Beneficiary and option information furnished on VA Form 29-5767 will be included in the security microfilming program.

11.10 USGLI ENDOWMENT POLICY WITH TOTAL PERMANENT DISABILITY

When an endowment policy, having been previously matured by a total permanent disability award, reaches the date it would have matured as an endowment and less than 240 monthly installments have been paid on the award, the insured will be asked to make a decision. The insured has the privilege of continuing the award or receiving the commuted value of the unpaid guaranteed installments as a matured endowment. A letter will be sent to the insured requesting his or her selection.

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11.11 DELAYED PAYMENT OF ENDOWMENT PROCEEDS

When the insured, if competent, requests the VA to withhold payment of the proceeds of a matured endowment policy, he or she will be notified by letter that the VA will withhold payment of the proceeds for up to 1 year, and that the proceeds will not accrue interest during the withholding period.

August 23, 1974

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M29-1, Part I
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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.

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:

Headquarters

American Legion
American National Red Cross
AMVETS
Blinded Veterans Association
Congressional Medal of Honor Society of the U.S.A
Disabled American Veterans
Legion of Valor of the United States of America, Inc
Marine Corps League
Military Order of the Purple Heart
Paralyzed Veterans of America, Inc
United Spanish War Veterans
Veterans of Foreign Wars of the United States
Veterans of World War I of the U.S.A. Inc

Indianapolis, Indiana 46206
Washington, D.C. 20006
Washington, D.C. 20036
Washington, D.C. 20037
Braintree, Massachusetts 02184
Cincinnati, Ohio 45214
Arlington, Virginia 22204
Arlington, Virginia 22201
Washington, D.C. 20013
Washington, D.C. 20420
Washington, D.C. 20420
Kansas City, Missouri 64111
Alexandria, Virginia 22314

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(2) Other National Service Organizations Recognized by the VA:

American Veterans Committee
Army and Navy Union, U.S.A
Army Mutual Aid Association
Catholic War Veterans of the U.S.A
Coast Guard League
Disabled Officers Association
Fleet Reserve Association
Jewish War Veterans of the United States
Military Order of the World Wars
National Jewish Welfare Board
National Tribune
Navy Mutual Aid Association
Regular Veterans Association
United Indian War Veterans, U.S.A

Washington, D.C. 20036
Lakemore, Ohio 44250
Arlington, Virginia 22211
Washington, D.C. 20001
Washington, D.C. 20591
Washington, D.C. 20006
Washington, D.C. 20036
Washington, D.C. 20009
Washington, D.C. 20006
New York, New York 10010
Washington, D.C. 20013
Washington, D.C. 20370
Washington, D.C. 20015
San Francisco, California 94103

(3) State Organizations Recognized by VA:

Alabama-Department of Veterans Affairs
Alaska-Division of Veterans Affairs
American Samoa-Veterans Affairs Office
Arizona-Department of Economic Security
Arkansas-Veterans Service Office
California Department of Veterans Affairs
Colorado-Department of Social Services
Connecticut-Soldiers, Sailors, and Marine Fund
District of Columbia-Office of Veterans' Affairs
Florida-Division of Veterans Affairs
Georgia-Department of Veterans Service
Guam-Office of Veterans Affairs
Hawaii Department of Social Services
Idaho-Division of Veterans Services
Illinois-Department of Veterans Affairs
Kansas-Veterans Commission
Kentucky-Center for Veterans Affairs
Louisiana Department of Veterans Affairs
Maine-Bureau of Veterans' Services
Maryland-Veterans' Service Commission
Massachusetts-Office of Commissioner of Veterans' Services
Minnesota-Department of Veterans Affairs
Mississippi-Veterans Affairs Commission
Missouri-Division of Veterans Affairs
Montana-Veterans Affairs Division
Nebraska-Department of Veterans' Affairs
Nevada-Commission for Veterans Affairs
New Hampshire-State Veterans Council
New Jersey-Division of Veterans' Service
New Mexico-Veterans' Service Commission
New York-Division of Veterans Affairs
North Carolina-Division of Veterans Affairs
North Dakota-Department of Veterans Affairs
Ohio-Division of Soldiers' Claims and Veterans' Affairs
Oklahoma-Department of Veterans Affairs
Oregon-Department of Veterans Affairs

Montgomery, Alabama 36102
Juneau, Alaska 99811
Pago Pago, American Samoa 96920
Phoenix, Arizona 85007
Little Rock, Arkansas 72201
Sacramento, California 95807
Denver, Colorado 80203
Hartford, Connecticut 06115
Washington, D.C. 20004
St. Petersburg, Florida 33731
Atlanta, Georgia 30334
Agana, Guam 96910
Honolulu, Hawaii 96809
Boise, Idaho 83707
Springfield, Illinois 62705
Topeka, Kansas 66612
Louisville, Kentucky 40203
Baton Rouge, Louisiana 70801
Augusta, Maine 04330
Baltimore, Maryland 21201
Boston, Massachusetts 02202
St. Paul, Minnesota 55101
Jackson, Mississippi 39205
Jefferson City, Missouri 65101
Helena, Montana 59601
Lincoln, Nebraska 68509
Reno, Nevada 89502
Concord, New Hampshire 03306
Trenton, New Jersey 08625
Santa Fe, New Mexico 87501
New York, New York 10047
Raleigh, North Carolina 27601
Fargo, North Dakota 58102
Columbus, Ohio 43215
Oklahoma City, Oklahoma 73105
Salem, Oregon 97310

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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.

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 mail 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 mail 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.

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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 5415-5416	4311

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].

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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.

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.

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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. [\$40,000]

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.

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 [\$40,000], 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 in 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 [\$40,000] 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 [\$40,000] 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 (\$40,000 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 (\$40,000) 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) [\$40,000] 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 subparagraph 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.

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.

h. 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 ("FC412") can be identified when one of the following is shown as part of the address:

(a) DDR (Deutsche Demokratische Republik)

(b) Deutsche Demokratische Republik

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(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 complete 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 number which should be written to the left of the city and coded as follows:

Sandra Gollini
Villa del Tigli
I-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 (1) 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

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CHAPTER 13. GENERAL INFORMATION PERTAINING TO UNDERWRITING ACTIONS

13.01 PAYMENT OF PREMIUMS

a. **Premium Due Date.** The monthly premium is due and payable on the day the policy takes effect 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 on the policy contract. If succeeding months do not contain the corresponding date, the premium due date is the last day of the month. Premiums are payable monthly in advance in legal tender of the United States of America to any office of the VA authorized to receive premium payments. A premium due date may be any date of the month.

b. **Grace Period.** For the payment of any premium except the first under an NSLI or USGLI policy, a grace period of 31 days without interest will be allowed, during which time the policy will remain in force; but if the policy shall mature within the grace period, the unpaid premium or premiums shall be deducted from the amount of insurance payable. A USGLI 5-year level premium term policy shall cease and become void at the end of the 60-month period unless renewed as provided in VA regulations.

c. **Acceptance of Late Premium.** When a premium is not paid within the grace period but payment is made during the lifetime of the insured and within 61 days of the due date, such premium may be regularly applied as timely.

d. Methods of Payment

(1) **Direct.** Payments may be made by direct remittance in the form of a check, draft or money order payable to the VA. 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. Cash tendered by mail is at the insured's own risk. Direct payments may be made by a third party.

(2) **Allotment of Service Pay or Retirement Pay.** Payment may be made by persons in the Armed Forces or by persons entitled to retirement pay by allotment from such service or retirement pay. This includes the initial premium and any others. An allotment from service or retirement pay of a person other than the insured is *not* acceptable -

(3) **Deduction From Benefits Paid by the VA.** Payment of premiums including the initial premium may be made by deductions from any VA monthly benefit payments (other than subsistence allowance) due and payable to the insured under any laws administered by the VA, provided the insurance is not lapsed.

(4) **Employer Payroll.** Payments other than the initial premium may be deducted from employer payroll if the VA has such an agreement with the employer. The VA cannot be a party to any agreement which may be made by the insured and his or her employer.

(5) **Waiver of Premiums Under 38 U.S.C. 712 and 748.** Payment of premiums is waived during a period of total disability as defined in the policy for NSLI and in the TDIP rider for USGLI and in 38 U.S.C. 712 and 748.

(6) **Waiver of Premiums Under 38 U.S.C. 724.** Payment of term insurance premiums is waived during the period of a section 724 waiver. Payment of the full premium is required on permanent plan policies during the period of such waiver. However, the amount of the pure insurance risk portion of the premium is refunded to the insured.

(7) **Dividends.** Payments may be made under certain instances. (See Sec. 1, ch. 2, [par. 2.06a(8)].)

(8) **Loans.** The insured may request that an amount be deducted from a loan to pay advance premiums on his or her insurance. A loan may be granted to reinstate permanent plan contracts, or to pay the difference in reserve in connection with conversions and changes in plan.

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e. **Mode.** Premiums are payable monthly in advance. However, payments may be made annually, semiannually or quarterly, in advance, in which case the premium payable will be the sum of the monthly premium for the period selected discounted by the rate of interest used on the insurance program under which the policy was issued. For premiums paid in advance see section I, chapter 2.

f. **Shortages.** Timely payment of less than the monthly premium may be accepted if the shortage is not more than 10 percent of one monthly premium and, combined with any other shortage, does not exceed 30 percent of one monthly premium.

g. **Overages.** When a premium credit exceeds 89 percent of a monthly premium, the credit will be applied to advance the next premium due date by 1 month with a shortage unless premiums are being paid by deductions.

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 more complete form will be accepted. If there is a major variance, the discrepancy will be clarified.

b. **Medical Applications.** An application which requires a complete physical examination report will be referred to as a medical application.

c. **Nonmedical Applications.** An application which requires any statement(s) as to health, excluding a physical examination report, will be referred to as a Nonmedical application.

d. **Supplemental Applications**

(1) The following periods of time from the date of VA's letter will be allowed for submission of supplemental applications, medical data, and/or certifications of health.

(a) 31 days-if applicant is out of service and is residing within the continental limits of the United States.

(b) 60 days-if applicant is out of service and is residing outside the continental limits of the United States.

(c) 90 days-if applicant is in service.

(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 [Chief Insurance Division] 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 the date of the physical examination report, it will be processed without regard to such delay.

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(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 the date of the physical examination report, or is submitted without the required report, 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 a supplemental physical examination will be requested. If found acceptable, the report will be used to supplement the original application.

(3) If a Nonmedical 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) If the application is for RH insurance and is not mailed within 31 days of the date of signature, [the applicant will be asked to complete a comparative health statement. When all the requirements are met, the RH policy will be issued on the basis of] the original application.

f. Applications Unsigned, Undated or Postdated

(1) MI applications should be signed and properly dated by the applicant.

(2) If the date has been altered in Part II, Statement of Applicant, where the applicant signs the application, or in Part III, Physical Examination Report, where the physician signs the form, the date must be clarified or a new application submitted.

(3) [(Deleted.)]

(4) When part II of a medical application is unsigned, the signature will be requested before processing the application.

(5) When part III of a medical application is unsigned, undated or postdated, the date and/or signature of the -examining physician will be obtained.

(6) When a Nonmedical application is unsigned, undated or postdated, the application will be held pending. 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 the VA as on the date the application was completed.

(7) 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 Physical Examination Report

(1) If the required remittance is mailed or otherwise delivered to the VA within 31 days after the date of the physical examination report, the application may be processed without regard to such delay.

(2) If more than 31 days have elapsed, 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 a complete supplemental physical examination report. If found acceptable, the report 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.

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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 the 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 Physical Examination Report.** If an application is submitted without the required physical examination report, 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 address. 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 Folders.** All correspondence, including file copies of outgoing letters, will be filed in the folder on the right inside cover in chronological order. All forms, including applications, will be filed on the left inside cover also in chronological order. Disposal material will not be filed in the insurance folder.

m. **Receipt of Applications in the VA.** The received date in the VA will be determined by (1) postmark date, if mailed, or (2) earliest received date indicated by stamp if delivered to the VA or (3) date application placed in military channels.

n. Acknowledgment of Applications

(1) VA Form 29-4424, Postcard Acknowledgment and Notice of Assignment of New Insurance Number, will be used [] when a new [RH] number is assigned to:

(a) [(Deleted.)]

(b) Notify local index of such assignment.

[(c) Notify Miscellaneous Accounts and Service Unit of the assignment.]

(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 when a 203 collection item is coded by the Collections activity [except incompetent cases.] The message YOUR APPLICATION IS RECEIVING ATTENTION is printed thereon.

(3) FL 30 will be clerically prepared and used in all other instances to acknowledge an underwriting application.

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. Months, 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 other recognized media.

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q. **Withdrawal of Application.** If the applicant requires 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 the 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 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 the 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 the VA or bears a postmark date prior to the effective date of change.

13.03 POLICY NUMBERS AND FOLDERS

a. **Assignment of Policy Numbers.** Blocks of numbers assigned to the various officers are 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

(2) **St. Paul**

(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

(3) 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.

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c. **Combining of Folders.** When an application is approved and there is a record of other active insurance, the folders 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	-Year Endowment
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

(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

*NOTE: Die appropriate "V" policy forms **will be used** with the "V" prefix being obliterated and a gummed insert providing information to the effect that the insurance is non participating being placed over paragraph 3 entitled "Dividends," where applicable.*

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(5) For insurance assigned "RH" numbers

294401 5-Year Level Premium Term
 294402 Ordinary Life, 20-Payment Life, 30-Payment Life
 294405 Endowment Plans
 29-8163 Modified Life-Age 65
 29-8180 Modified Life-Age 70

(6) For insurance assigned "W" numbers

94408 Limited Convertible 5-Year Level Premium Term
 94409 Life Plans
 94410 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 94409 and 94410.

(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
29487	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
29487	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
29487	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 a pinfeed form, clerical preparation is necessary.

13.05 PLANS OF INSURANCE (CODES)

a. **Codes for NSLI**

1-Ordinary Life
 2-20-Payment Life
 3-30-Payment Life

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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-Modified Life-Age 70
 9-Reduced Modified Life-Age 65
 -9-Reduced Modified Life-Age 70
 0-Replacement Ordinary Life V, W, H, RH or J-Ages 65 and 70.

b. **Codes for USGLI**

I-Ordinary Life
 2-20-Payment Life
 3-30-Payment Life

4-20-Year Endowment
5-Special Endowment at 96 (without waiver)
6-Special Endowment at 96 (with waiver)
7-5-Year Level Term of 5-Year Convertible Term
8-30-Year Endowment
9-Endowment at 62
0-Whole Life 745

NOTE: On rerated cases, an "R "is shown after The code.

13.06 POLICY LOANS

a. Authority for granting policy loans on NSLI is included in 38 U.S.C. 706 and VA Regulation 3428. For USGLI, it is included in 38 U.S.C. 744 and VA Regulations 3100 and 3101.

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.

13.07 USE OF DIVIDENDS IN UNDERWRITING ACTIONS

Dividends received from participating insurance and held by the VA as a dividend credit or on deposit may be used to help pay the cost of underwriting.

13.08 AGE OF INSURED

a. The age of the applicant for insurance purposes is his or her age on the 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.

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October 1,1973

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13.07 USE OF DIVIDENDS IN UNDERWRITING ACTIONS

Dividends received from participating insurance and held by the VA as a dividend credit or on deposit may be used to help pay the cost of underwriting.

13.08 AGE OF INSURED

a. The age of the applicant for insurance purposes is his age on his 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.

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(6) 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 his or her request.

(7) 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.

(8) 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.

b. Recognition of Attorney-In-Fact To Act for the Insured. Generally, the absence of any statute providing otherwise, powers or authorities may be created to do any act the [insured] might lawfully perform. The writing should disclose the identity of the agent and what he or she is authorized to do, but need not be so detailed as to specify each act the agent is empowered to perform.

(1) A general power of attorney specifically relating to insurance transactions may be acceptable to change, convert or modify an NSLI or USGLI contract.

(2) A designation or change of beneficiary and/or optional settlement may not be made by a person having a general power of attorney. Any such designation or change submitted by a person having a power of attorney will not be accepted unless the request is accompanied by a properly executed power of attorney specifically designating a beneficiary, and indicating the optional settlement desired or requesting a change of beneficiary and/or option. In this respect the labeling of the document is immaterial; it must be special and specific in nature as outlined above, to be acceptable.

(3) All questionable cases involving a power of attorney should be submitted to the [Chief, Insurance Program Management Division (290).]

October 16,1972

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Change 4**Example 1:**

Effective date

July 1,1962

Date of birth

January 18, 1929

1962-7- 1

1929-1-18

33.5-13

The insurance age is 33.

Example 2:

Effective date

July 1, 1962

Date of birth

November 10, 1928

*1962- 7. 1*1928-11-10

33- 7-21

The insurance age is 34.

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 25,1962

Date of birth

May 25,1929

1962- 11-25

1929- 5-25

33- 6- 0

The insurance age is 33.

- (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 1,1962

Date of birth

May 31, 1929

1962-12- 1

1929- 5-31

33- 6-0

The insurance age is 34.

c. If the 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.

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Change 4

October 16,1972

d. After the insurance is in force under certain conditions it is necessary to determine the attained age of he insured. This is done by subtracting the effective date of the policy from the premium due date the attained age is needed and 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	Plan	Effective Date	Age
~7,500	OL	9-14-53	32

Attained age as of 2-14-69.

69	2	14	
53	9	14	
15	5		duration of policy
32			issue age
47 yrs.	5 mos.		attained age

3.09 DEATH OF APPLICANT BEFORE DELIVERY OF APPLICATION FOR INSURANCE TO THE VA

The date an application is delivered to the VA must be before the date of death of the applicant. Otherwise, the application will be disapproved.

13.10 POWERS OF ATTORNEY

a. Release of Information from Insurance Records. The provisions of VA Regulations 500 through 527 are applicable to the release of information from VA records. Accredited representatives of recognized organizations (VA Regulation 5627) holding appropriate power of attorney and recognized attorneys (VA Regulation 5629(B)) with the written authorization of the insured may, subject to certain restrictions, receive information from the insurance and allied folders. VA Form 29-4337, Authorization for Release of Information from Insurance Records, is generally used for this purpose. This form, when properly completed, authorizes the VA to release upon request of the person or organization named thereon, any

information from the insurance records to which the insured would be entitled. The authorization will remain in effect until canceled by notice in writing, signed by the insured and delivered to the VA.

(1) 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 may be accepted as a valid authorization for the release of insurance information.

(2) Any authorization, VA Form 29-4337 or its equivalent, in which the insured restricts or limits the information to be released will be used only for that purpose.

(3) When a VA Form 294337 is not of record, **but** there is a VA Form 23-22, Appointment of 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.

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(4) If **it** is clear from correspondence received from an attorney, trust officer, or insurance agent the he/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 his 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

5) 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.

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CHAPTER 14. RH INSURANCE (38 U.S.C. 722(a))

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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 as to whether the **character** of discharge **is** one outlined in VA Regulation 1104, **will be made by** the rating **board** when such board **determines eligibility for** compensation. The determination of the rating board **will be accepted by** the Insurance Division 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 adjudicating activity**.

f. Any person within the classes defined in **subparagraph a** above who, while enroute to or from, or at, **a place for final acceptance** or entry upon active **duty, suffers an injury or** disease resulting in **disability, must file** application within 1 year **after incurrence** of the **disability**.

g. **Forfeiture of compensation benefits for fraud will** not be a bar to **issuance of** RH insurance to an otherwise qualified **applicant**. When it is determined that a **case should be considered**, it will **be forwarded to** the [Chief, **Insurance Program Management** Division (290),] for a final decision.

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**.

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CHAPTER 14. RH INSURANCE

14.01 GENERAL (38 U.S.C. 722(a))

a. RH life insurance 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, and except for which such persons would be insurable according to the standards of good health established by the Administrator.

b. The applicant must submit an application for the insurance, together with satisfactory proof of his or her insurability, except for service-connected disability, according to the standards of good health established by the Administrator.

c. Service-connected disability 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) Under 38 U.S.C. 602, 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.

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 such 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 1 year after the incurrence of disability under these conditions.

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. A person who, while serving in the National Guard on temporary duty, suffers a disability which 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. 722(a) 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 as set forth in VA Regulation 1012, the insurance will not be granted.

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(3) When an application for waiver of premiums for an amount of insurance greater than that of record (or when the amount is left blank) is submitted within the 1-year period, the claim for waiver of premiums will be considered as an informal application for RH insurance. A period of 31 or 60 days from the date of the letter of notification will be allowed for meeting any necessary additional requirements.

(4) Application for RH insurance must be submitted within 1 year. Prior to March 4, 1969, the 1-year period started with the date the VA Form 21-6796, Rating Decision, was signed. On and after March 4, 1969, the 1-year period begins with the date of the notice by the VA initially granting service connection for disability. It is emphasized that the year commences with the date of the notice and not the receipt of the notice. When the veteran does not apply for compensation and the first notification is released by the Insurance Division, the 1-year period will begin with the date of the notification. If a copy of the award letter, or the award letter date is not furnished by the regional office, the date will be determined by subtracting 3 days from the date the rating decision was received in the insurance office. If the final date of the 1-year period falls on a Saturday, Sunday or legal holiday, the 1-year period is extended to include the next workday. The exception to this rule is: If an applicant is shown by evidence satisfactory to the Administrator to have been mentally incompetent during any part of the 1-year period, application for RH insurance may be filed within 1 year after [the appointment of a legal] guardian or within 1 year after the date of rating removing such disability as determined by the Administrator, whichever is the earlier date. If

[the legal] guardian is discharged during the 1-year period and later a new [legal] guardian is appointed, the new [legal] guardian will have 1 year from the date of the appointment to file the application.

(5) [] If the applicant [is] mentally incompetent, application [has] to be submitted by a [legal] guardian, and if required under the State law, after the court shall have authorized the fiduciary to make such application. []

(6) An application submitted by a [legal] guardian should be accompanied by VA Form 27-555, Certificate of Legal Capacity to Receive and Disburse Benefits, executed by the [Veterans Services Officer] of the regional office having jurisdiction, and indicating that the signer of the application has been duly appointed as [legal] guardian and whether court approval is required by State law. When VA Form 27-555 giving the required information is not attached, and the application does not bear a notation by the [Veterans Services Officer] to the effect that VA Form 27-555 has previously been furnished, VA Form 29-505, Request for Information [] or a letter will be addressed to the [Veterans Services Officer] of the regional office of jurisdiction requesting that VA Form 27-555 be forwarded.

NOTE. An application for RH Insurance which required court approval will be considered acceptable even though the court approval is subsequent to the time limit prescribed for submission of such application, provided all other requirements are met. The court approval, when received, will be considered supplemental to the application.

(7) signature of the applicant, identifying himself/herself as the legal guardian. []
[]

When completing Part

(8) If a [legal] guardian has not been appointed, the incompetent veteran may submit an application, if he or she possesses sufficient mental capacity to express a desire to apply for RH insurance and understands the nature of his or her act. However, such application should be accompanied by a statement from a member of the medical staff of the institution having custody of the incompetent veteran to the effect that the veteran has sufficient mental capacity and was willing to sign the application. If the applicant is mentally incompetent, but no guardian has been appointed and the applicant is not confined to an institution (trial visit, etc.), certification as to testamentary capacity should be made by [a licensed] physician.

NOTE. Under the same situation as stated in paragraph (4) above, if a legal guardian has been appointed and the veteran signs the application, the (Legal] guardian must sign also.

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(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 en route 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 RH insurance should be **made, whenever practicable**, on VA Form 29-4364, Application for National **Service Life Insurance (RH)**. [However, previous editions of VA Form 29-4364, Application for National **Service Life Insurance (RH) (Medical)** and VA Form 29-4364a, Application for National **Service Life Insurance (RH) (Nonmedical)**, will be **considered** as valid application, if timely submitted.] A statement over **the** signature of the applicant giving the necessary information [will also] be **considered**.

(2) The application must be signed by the applicant and submitted before the expiration of the statutory time limit. (If the application is **dated more** than 1 year **prior** to its postmark **date**, it will be **disapproved** and the **veteran so** advised. The veteran will be given the opportunity to **reapply** and advised that the new application must be submitted within the 1-year **period** of eligibility or 31 **days**, whichever is the latest date. If the original application was not submitted within the **1-year period** of eligibility, it should be disapproved for that reason.]

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Services Officer] of the regional office of jurisdiction requesting that VA Form 27-555 be **forwarded**.

NOTE. An application for RH insurance which required court approval will be considered acceptable even though the court approval is subsequent to the time limit prescribed for submission of such application,

provided all other requirements are met. The court approval, when received, will be considered supplemental to the application.

(7) When completing Part 11, Statement of Applicant, on the application (VA Form 29A364) for an incompetent veteran, the [legal] guardian should enter any information he or she has knowledge of and sign in the space **provided** for the signature of the applicant, identifying himself or herself as the veteran's [legal] guardian.[]

(8) If a [legal] guardian has not been appointed, the incompetent veteran may submit an application, if he or she possesses sufficient mental capacity to express a desire to apply for RH insurance and understands the nature of his or her act. However, such application should be accompanied by a statement from a member of the medical staff of the institution having custody of the incompetent veteran to the effect that the veteran has sufficient mental capacity and was willing to sign the application. If the applicant is mentally incompetent, but no guardian has been appointed and the applicant is not confined to an institution (trial visit, etc.), certification as to testamentary capacity should be made by [a licensed] physician.

NOTE: Under the same situation as stated in subparagraph (4) above, if a [legal] guardian has been appointed and the veteran signs the application, the [legal] guardian must sign also.

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M29-1, Part I Advance Manual Change No. 8-84 October 2, 1984

Chapter 14. RH Insurance [38 U.S.C. 722(a)]

A. Change: M29-1, Part I, Chapter 14. This advance manual change is issued in conjunction with Advance Manual Change No. 1-84 in 1429-1, Part IV. This change amends the policy guidelines for processing applications for Service-Disabled Veterans? Insurance (RH) which are submitted prior to the applicant's release from active duty with the military service. Applications from in-service personnel will no longer be disapproved upon receipt.

13. Procedure: Page 14-5, delete subparagraph 14.04a(9) and the exception following the subparagraph, and insert the following:

(9) When an application is received from an individual who is still on active duty, the applicant should be advised that to be eligible for RH insurance, he or she must be separated from service. The applicant should be told to notify us as soon as he or she has been released from active duty. The procedures to follow in processing such applications are contained in M29-1, Part IV, paragraph 1.05e(8), Advance Manual Change No. 1-84.

C. New or Revised Insurance Forms: VA Form Letter 29-729 will no longer be used.

ROBERT W. CAREY Assistant Director for Insurance

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M29-1 Part 1 Advance Manual Change No. 2-80 November 3, 1980

A. Issue Affected: M9-1, Part I, Chapter 1.

B. Purpose: To add certain paragraphs to establish procedures involving applications for RH Insurance. C.

Text: Page 14.5 - Add the following sentence to Paragraph 14,04b after the word "premium: "Where the applicant does not state the plan **desired and/or** remits an incorrect premium, term insurance may be Issued in certain circumstances (See M29-1, Part IV, Par. 1.05),

D, New or Revised Insurance Forms: None

October 1,1973

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(9) If Part III, Physical Examination Report, is missing, incomplete, or is not **mailed** within 31 days of the **physical** examination, **or** the applicant requires a supplemental examination, the application will not be **disapproved; instead**, a **review** of previous records (**claims** folder, **prior reports** or physical examinations, **etc.**) will be **utilized** to determine if the applicant qualifies for RH insurance.

from this 6-month rule. When 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**.

14.05 EFFECTIVE DATE

a. Generally, RH insurance 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 supplemental information is **required** and submitted within the **I-year** eligibility period, the effective date will be the **date** the application or [] the money was submitted, whichever is later.

b. Under 38 U.S.C. 722(a), a definite time limit for submitting an application has been established. 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 RH policy cannot be later than the last day in the eligibility period. A health certification is **not needed** for the supplemental information.

c. The effective **date** of RH insurance **shall** not be established prior to the date of entry of the applicant into active service.

d. The effective **date may** [not] be **prior** to the date of discharge if all other requirements are met.

c. When an application and the required premium for insurance are submitted to the VA within the **I-year** period, the effective **date** of the insurance **may** be established as follows:

(1) As of the first **day of the month** in which **valid** application and tender of **premiums are made**.

(2) As of the first day of the month following the month in which valid application and tender of **premiums are made**.

(3) As of the first **day** of any month but not **more** than 6 months prior to the month in which valid application and tender of **premiums are made, provided that there be paid:**

(a) An amount equal to the full reserve on the insurance at the **end** of the month prior to the month in which valid application is **made**, and

(b) The full **premium** on the amount of the **insurance** for the month in which **application** is **made**.

(4) If the **applicant does not request an effective date**, the insurance will be **made effective as of the date** valid application is **made and the premium** is paid.

(5) On a statutory award, when the **insurance** policy is **prepared** before the application is signed by the veteran, the effective date is the date the **case is processed by the Lay Medical** Approver.

(6) When the application is submitted by a disabled service person who is a patient in a military hospital and who is about to be discharged from **active duty**, the **effective date** will be the day following **discharge**.

14.06 AMOUNT OF INSURANCE

Application for RH 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**], **Servicemen's Group Life Insurance [and Veterans' Group Life Insurance]** is not considered in the \$ 10,000 **maximum**. When the **records** indicate

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(9) **If** an application is received from an applicant who is on active duty, the application should be disapproved and the applicant advised to refile after he or she is separated.

EXCEPTION: If application is received from an applicant who is on active duty, but the record shows that he or she has been discharged by the time VA is ready to process the application, or the applicant was suffering a terminal illness at time of filing, the application will be accepted and processed in the normal manner.]

(10) When an application for RH insurance is submitted and the appropriate rating agency of the 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 by such a rating agency, the veteran must file a new application. If the rating agency reverses the decision as to service connection after death, the case will be sent to the [Chief, Insurance Program Management Division (290),] for an administrative decision. 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.

(11) Prior to July 1, 1963, only the initial service-connected disability as determined by the VA entitled the veteran to apply for RH insurance. On or after July 1, 1963, any disability rated as service connected (except dental ratings) entitles the veteran to apply. Therefore, if the veteran is given more than one rating of service connection following his or her last discharge from service and the ratings are for different disabilities (without regard to severity or longevity), he or she will have 1 year from the date of notification of each rating in which to apply. VA Regulation 3400(B)(1)(c) is retroactive to April 25, 1951.

(12) The service information as shown on VA Form 21-6796, Rating Decision, will be accepted when processing an application for RH insurance.

(13) When an application for insurance has been submitted for replacement of 5-year level premium term insurance under 38 U.S.C. 781(b) and the application is medically rejected, it may be considered as an informal application for RH insurance.

b. Monetary. An amount sufficient to cover at least the initial monthly premium should be tendered with the application or be of record. However, if [the veteran indicated on the] VA Form 29-4364 [] , Application for National Service Life Insurance (RH), [that he or she is receiving VA compensation which is sufficient to pay the insurance premiums, the VA Form 29-4364 will suffice] in lieu of the initial premium.

(1) 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 and any comparative health certification within the specified time from the date of the [application].

(2) A VA Form 29-888, Insurance Deduction Authorization, **or** an allotment from service department pay may be accepted to authorize the initial premium with an application for RH insurance.

(3) A VA Form 29-357 [Claim for Disability Insurance Benefits,] may be submitted with the application [in lieu] of the initial premium. [However,] in these cases, the application may not be approved until 6 months after the effective-date (excluding statutory disability cases).

(4) If the effective date of the policy is antedated to the first day of any month prior to the month in which the application is submitted, the applicant must furnish the amount of reserve the policy would have **accrued** from the effective date of insurance to the month of issue (month the application is submitted), together with the premium for the month following the date of issue.

(5) Waiver of premiums may be granted on this insurance pursuant to the provisions of 38 U.S.C. 712 and such waiver may not be denied on the ground 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 section 712, total disability must be found to exist 6 or more consecutive months after the date of application for, or the effective date of, the insurance, whichever is later. Waiver of premiums on statutory awards are exempt

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a. The premium rates for suds insurance 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 2Y₄ 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'A percent per annum.

c. Insurance granted under the provisions of this section shall be on the non participating basis and all premiums and other collections there for 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 may not be added to this insurance.

14.10 BENEFICIARY AND OPTIONS SELECTIONS

a. The regular rules for beneficiary and option apply to RH applications, except when a [legal] guardian files [an] application for RH insurance in behalf of an incompetent veteran, the [beneficiary will always be the estate of the insured, or the] designation [will] be left blank. [If any other] beneficiary [is named by the legal guardian, he or she will be advised that although it is not acceptable, it will be made a part of the veteran's insurance records.

b. If the applicant has been rated incompetent and the application is accompanied by a statement attesting to the veteran's mental capacity to understand the nature of his or her act, the beneficiary designation will be accepted.

14.11 CONTINUING WAIVER OF PREMIUMS UNDER 38 U.S.C. 712 OR 748 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 RH insurance is approved and the records indicate a continuing waiver of premiums under 38 U.S.C. 712 or 748 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 records will be referred to the Insurance Claims Section for action.

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 it is disclosed that RH insurance 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, the insurance will not be disturbed. Upon application by the insured or his or her fiduciary, payment of premiums on the endowment plan may be waived during the continuous total disability of the insured provided all other requirements are met.

14.13 NOTIFICATION TO VETERAN OF POSSIBLE ELIGIBILITY FOR RH INSURANCE []

a. [Upon receipt of VA Forms 21-6796, Rating Decision, in the Medical Determination Section, the designated clerk will send all eligible rating decisions with the award letters to the Centralized Transcription activity, Administrative Division, for the preparation and release of FL's 29-5 and 29.5a.]

b. [FL 29-5 will be sent to the veteran with a VA Form 29-4364, Application for National **Service Life** Insurance (RH), and VA Pamphlet 29-9, Service-Disabled Veterans Insurance, RH, Information and Premium Rates.]

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that the applicant is carrying or has carried Government Life Insurance, the previous records will be considered before action is taken on the current application. In **order** to determine that the statutory limit has not been **exceeded**, [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 sec. 712 or 724).

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 RH 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.]

14.07 STATUTORY DISABILITY INSURANCE

a. Upon receipt of VA Form 21-6796, Rating Decision, showing a veteran has been granted a statutory disability rating under 38 U.S.C. 714 and the veteran **meets the** other requirements, 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 prepared without an application being **received**.

(2) The policy [will be] personally delivered by a representative of the VA, [who will] furnish an explanation of the policy and [will ask] the veteran to complete the application and VA Form 29-336, Designation of Beneficiary and Optional Settlement. Waiver of premiums is granted [] as of the effective date of insurance (the 6-month waiting period **does** not apply). The insurance is not in force until **the application** is signed by the veteran or [the veteran's] representative.

b. When an applicant for RH insurance is determined to be statutorily totally disabled for insurance purposes and **meets** the other requirements, 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), [excluding any paid-up additions,] is 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.

14.08 (Deleted.)

14.09 TERMS AND CONDITIONS OF INSURANCE CONTRACTS ISSUED UNDER 38 U.S.C. 722(a)

Insurance granted **under** the provisions of 38 U.S.C. 722(a) is issued under the same terms **and** conditions as are contained in the standard policies of NSLI, except as follows:

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c. [FL 29-5a will be sent (if necessary) as a follow-up letter. It will be released 6 months after the release of FL 29-5. The same enclosures that were released with the FL 29-5 will be sent.]

d. The letters will not be released if the veteran is ineligible to apply or the rating decision is not a qualifying rating; i.e., rating is for dental treatment only; veteran was discharged prior to April 25, 1951; rating is under the provision of 38 U.S.C. 602 (psychosis); the rating is not an initial establishment of service connection, etc.

e. [] FL 29.5 or FL 29-5a will not be sent in those cases in which the veteran is rated incompetent or totally disabled (statutory). [The procedures in M29-1, part IV, chapter 1, paragraph 1.02e(3) "NOTE," will be followed.]

14.14 RULES ON TRANSFER OF RECORDS UPON RECEIPT OF APPLICATION FOR RH INSURANCE

"When an application for RH insurance is received in either VA center (Philadelphia or St. Paul) and there is no record that the applicant has an active insurance account in the other center, the application will be processed in the office in which it is received [with the following exception: All VA Forms 29-4364, Application for National Service Life Insurance (RH), indicating] the method of paying premiums is by deduction from benefits or by allotment from service [department] retirement pay [will be processed by the] Medical Determination Section [at the Philadelphia VA center].

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Change 8**CHAPTER 15. ARCH INSURANCE****15.01 GENERAL (38 U.S.C. 722(b))**

Any person who, on or after April 25, 1951, was otherwise qualified for insurance under the provisions of 38 U.S.C. 722(a), but who did not apply for such insurance and who is shown by evidence satisfactory to the Administrator:

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 1-year period from the date the service connection of a disability is first determined by the VA, or

(3) After release from active service but is not rated service-connected disabled by the 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 [legal] guardian, or within 1 year after the appointment of a (legal) Guardian; shall be deemed to have applied for and to have been granted such insurance as of the date of death.

15.02 REQUIREMENTS

a. Submission of Claim for ARH Insurance Benefits-The claim must be submitted to the 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: If the veteran's surviving spouse fails to file claim within the 2-year statutory period, although fully entitled to the benefits during, the entire period, any child of the veteran may file a claim within any time up to 1 year after attaining majority.]

Th. Premium-No payment of premium 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 the Administrator, 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

Gratuitous insurance (ARH) will be granted in an amount which, together with any other United States Government or National Service Life Insurance in force [(excluding paid-up additions)] on the day of death of the veteran, shall aggregate \$10,000.

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 and in the order named:

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- (1) To the (surviving spouse] of the insured, if living and while unremarried;
- (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 the Administrator.

c. The first beneficiary has the election of receiving the insurance proceeds in 240 equal monthly installments or under the options specified in 38 U.S.C. 717(b) (3) or (4).

d. If no person within the permitted class survives to receive the insurance or any part thereof, no payment of the unpaid installments shall be made.

15.06 ISSUANCE

The [Insurance Program Management Division (290)] will make the decision as to whether gratuitous insurance (ARH) will be granted, and will assign the (ARH) policy number. The policy numbers started at ARH 1001.

[15.07 PRIOR PAYMENTS

When gratuitous insurance is authorized to a child of the veteran based on a timely claim having been filed as cited in paragraph 15.02a Note, the principles set forth in Administrator's Decision 898 will apply. Prior awards to other beneficiaries of equal or lower priority will be adjusted as of the date of last payment. The settlement to or on behalf of such child will be effective from the date of the veteran's death and is not subject to any prior deductions because of payments to prior payees.]

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CHAPTER 16. TOTAL DISABILITY INCOME PROVISION (NSLI AND USGLI)**16.01 GENERAL**

a. Total disability, as referred to in connection with NSLI or USGLI 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 becomes totally disabled will receive a monthly income, and payment of premiums will be 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 such rating was based on fraud.

c. 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 and 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 USGLI purposes if the TDIP was originally issued prior to December 15, 1936. 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 such rating was based on fraud.

d. 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 privilege to request that the TDIP be canceled, as of the effective date of the provision and the premiums refunded.

e. A total disability income provision may be added to any NSLI or USGLI policy, except policies issued under the NSLI RH program and the USGLI Special Endowment at Age 96 plan. Also, TDIP may not be added to a policy 1 under extended term insurance nor reduced paid-up insurance. 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. [The premium for the TDIP rider on a reduced paid-up USGLI policy must be computed.]

f. To be eligible for TDIP, the applicant must be in good health for insurance purposes. Good health requirements may not be 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 is credited directly to the NSLI appropriation and all HD TDIP claims are paid from that appropriation. All other \$5 age 60 TDIP riders are 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 ceases 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, may be reinstated or replaced without proof of good health, if all other requirements are met. If a \$5 age 60 TDIP rider was in force on the date the insurance was surrendered, it may be reinstated or replaced without proof of good health. (38 U.S.C. 781)

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h. Application for an NSLI \$10 age 65 TDIP rider must be submitted before the insured's 55th birthday. Prior to January 1, 1966, application must have been submitted before the insured's 60th birthday.

i. NSLI policyholders who have a \$5 or \$10 age 60 TDIP rider must surrender it if they apply for and are issued the \$10 age 65 TDIP. If they prefer, they may keep 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 is 41 or over, and \$5 age 60 TDIP riders (HD), for all ages, may be 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 are met, a standard rider is issued to replace the "HD" rider. Where the insurance age is under 41, the \$5 age 60 TDIP rider "ND" may be exchanged for the \$10 age 65 TDIP rider by submitting a nonmedical application. The \$10 age 60 TDIP may be exchanged for a \$10 age 65 TDIP without evidence of good health unless the applicant is totally disabled.

j. TDIP premiums may not be waived under 38 U.S.C. 724.

16.02 AMOUNT

a. Life TDIP may be issued in multiples of \$500, but not less than \$1,000, nor more than the amount of insurance to which it is attached. However, in certain instances an odd amount of TDIP may be continued in force. This happens when the amount of insurance and TDIP are 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.

b. A USGLI policy with TDIP attached on which a claim is granted for TPD (total permanent disability) will receive claim payments on both the TPD on the insurance policy and from the TDIP rider attached to the policy. When the insured recovers and the insurance is raterated, the amount of insurance raterated will be determined from the commuted value of the unpaid guaranteed installments. While the amount of insurance in force on the raterated policy is less than on the original contract, the TDIP rider will not be reduced. The amount of protection on the TDIP will remain the same as originally issued.

16.03 EFFECTIVE DATE OF ISSUE

a. NSLI--The effective date of the TDIP will be:

(1) The same date the policy becomes effective, if the policy and TDIP are applied for at the same time, and all requirements are met. The effective date of the TDIP may not be more than 31 days from the date of the physical examination report or health statement.

(2) The last prior premium due date, if the policy is dated back or has been previously issued, and all requirements are met; except that when application is sent to the VA on a premium due date, the TDIP will be effective as of that date.

(3) 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 ilk birthday nearest the 1965 policy anniversary. The effective date and age on these policies will not be changed on subsequent renewals.

(4) The effective date of the \$5 (except HD riders) or \$10 age 60 TDIP is retained when exchanged for a \$10 age 65 TDIP. A \$5 age 60 TDIP (HD) rider exchanged for a \$10 age 65 TDIP rider will have current effective date, as though the HD rider never existed.

b. USGLI The effective date of the TDIP will be:

(1) The same date the policy becomes effective, if the policy and TDIP are applied for at the same time, and all requirements are met.

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(2) The last prior premium due date, if the policy is dated back or has been previously issued and all requirements are met, unless the applicant requests that it be effective as of the corresponding due date in the following month.

16.04 AGE

a. Permanent Plan

(1) NSLI-When application for TDIP is made at the same time as insurance or subsequent to the effective date of the insurance policy, the TDIP premium rate is based on the insured's age on his or her birthday nearest the effective date of the TDIP.

(2) USGLI-When application is made for insurance and TDIP at the same time, the TDIP premium rate is based on the insured's age on his or her birthday nearest the effective date of the TDIP. When application for TDIP is made subsequent to the effective date of the insurance, the TDIP premium rate is based on the insurance issue age and duration in years and months from the effective date of the insurance to the date the rider is to be added. However, the issue age of the rider is shown as the insured's age on his or her birthday nearest the effective date of the TDIP.

b. Term Insurance

(1) NSLI-When TDIP is added to a term policy on a date other than the last renewal date, the TDIP premium rate is based on the insured's age at renewal. At the next renewal, the age for the TDIP is the same as the insurance age. The \$10 age 65 TDIP premium charged on the first renewal after age 55 will remain constant until the insured's 65th birthday. The \$10 age 65 TDIP rates on term insurance after age 55 are the same as TDIP rates on Ordinary Life.

(2) USGLI-When application for TDIP is made as of the date of renewal, the TDIP premium rate is based on the insurance age. When the TDIP is added to a term policy as of a date subsequent to the effective date of the term policy, a special calculated TDIP premium rate is based on the issue age of the insurance policy and duration in years and months from the effective date of the term policy to the effective date of the rider. However, the issue age of the rider is shown as the insured's age as of the effective date of the rider. The TDIP premium on term insurance is the same as a

TDIP premium on an Ordinary Life plan. The premium rate for TDIP on the term policy does not increase at time of renewal and is payable through the month in which the insured attains age 65.

16.05 BENEFITS

a. NSLI benefits are:

(1)\$5 Age 60 TDIP-This provision was available from August 1, 1946 to November 1, 1958, with exception of those insured's 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 begins 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 may extend beyond the insured's 60th birthday or the anniversary date of the policy nearest the 60th birthday, whichever is later.

(2)\$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 begins before his or her 60th birthday and continues for at least 6 consecutive months. The 6-month period may extend beyond the 60th birthday.

(3)\$10 Age 65 TDIP-This provision became effective January 1, 1965 and is still available. 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 begins before his or her 65th birthday and continues for at least 6 consecutive months. The 6-month period may extend beyond the 65th birthday.

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(4)Monthly Payments-The monthly income payments described above begin with the first day of the 7th consecutive month (not calendar month) of continuous total disability and will continue for as long as the insured remains totally disabled. These monthly payments do not reduce the face amount of the policy.

(5)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.

(6)Application for Benefits-The insured must submit an application for TDIP benefits and must file proof of total disability while the TDIP is in force, or within 1 year after the provision has ceased to be in effect. [Application] for TDIP benefits should [be made on] VA Form 29-357, Claim for Disability Insurance Benefits. [] Total disability must have started after the date of application for TDIP, or the effective date of the provision, whichever is later. If the insured dies without filing an application and it is determined that the insured's failure to file such application was due to circumstances beyond his or her control, the application and required proof may be filed by the beneficiary within 1 year after the death of the insured. Any monthly income payments due the insured because of total disability and not paid during his or her lifetime, will be paid to the beneficiary in a lump sum, without interest.

b. USGLI benefits are:

(I) TDIP authorized by the Amendment of May 29, 1928, to section 311 of the WWI Veterans Act of 1924. This provision was available between May 29, 1928, and July 3, 1930. Benefits are available for the life of the policy. It provides a monthly disability income of \$5.75 for each \$1,000 of insurance, if the

insured becomes totally disabled and remains so disabled for a period of 12 months or more. When an insured has been receiving monthly disability income from TDIP and from TPD (total permanent disability) and recovers, the insurance will be rerated to a reduced amount but the TDIP will not be reduced. Therefore, under these conditions, the TDIP amount may be larger than the insurance amount on the rerated policy.

(a) Monthly Payments-The monthly disability income payments commence after the 1-year waiting period and date back to the date the disability began. The payments will continue as long as the insured is totally disabled.

(b) Waiver of Premiums-Premiums for the TDIP and the insurance will be waived as of the date the total disability began and will continue as long as the insured is totally disabled.

(2) TDIP authorized by the Amendment of July 3, 1930, to Section 311 of the WWI Veterans Act of 1924 (38 U.S.C. 748). This provision is still available to eligible applicants and provides a monthly disability income of \$5.75 for each \$1,000 of insurance. These disability income payments are payable if the insured becomes totally disabled before his or her 65th birthday and is continuously so disabled for a period of 4 consecutive months or more. The 4-month period may extend beyond the 65th birthday. When an insured has been receiving monthly income from TDIP and from TPD and recovers, the insurance will be rerated to a reduced amount but the TDIP will not be reduced. Therefore, under these conditions, the TDIP amount may be larger than the insurance amount on the rerated policy.

(a) Monthly Payments-The monthly disability income payments commence as of the first day of the 5th consecutive month (not calendar month) of continuous total disability.

EXAMPLE: Total disability occurred January 17. Benefits begin May 17, not May 1. Benefit payments will continue as long as the total disability exists and they will not reduce the face amount of the insurance.

(b) Waiver of Premiums-Premiums for the insurance and the TDIP will be waived beginning with the first monthly premium falling due after the monthly disability income becomes payable and will continue as long as such monthly income is paid.

(3) Application for Benefits-The insured must submit an application for total disability benefits and must file required proof of such disability while the TDIP is in force, or within 1 year after the provision has ceased

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to be in effect. [Application] for TDIP benefits should [be made on] VA Form 29-357, Claim for Disability Insurance Benefits. [] Total disability must have started after the date of application for TDIP, or the effective date of the provision, whichever is later. If the insured dies without filing an application and it is determined that the insured's failure to file such an application was due to circumstances beyond his or her control, the application and required proof may be filed by the beneficiary within 1 year after the death of the insured. Any monthly income payments due the insured because of total disability, and not paid during his or her lifetime, will be paid to the beneficiary in a lump sum, without interest.

(4) Payment of TDIP Benefits and Total Permanent Disability Benefits-The payment of monthly benefits under the TDIP may be concurrent with or independent of the insured's right to receive TPD benefits under the policy. The payment of TPD benefits under the policy will not reduce the amount of the monthly payments under the TDIP, nor will the

monthly income payments under the TDIP reduce the amount of monthly installments payable for TPD under the policy.

16.06 PAYMENT OF TDIP PREMIUMS

a. NSLI Premium Payments

(1) \$5 Age 60 TDIP-Premiums for this provision are payable to the anniversary date of the policy nearest the insured's 60th birthday, or until the end of the premium-paying period of the policy, if earlier.

(2) \$10 Age 60 TDIP-Premiums for this provision are payable through the month in which the insured attains age 60, or until the end of the premium-paying period of the policy, if earlier.

(3) \$10 Age 65 TDIP-Premiums for this provision are payable either to the insured's 65th birthday, or to the end of the premium-paying period on the basic policy, whichever is earlier. In the case of limited-payment life policies, premiums may be paid either to (a) the end of the premium-paying period of the basic policy if this occurs before the 65th birthday or, at the option of the insured, to (b) the insured's 65th birthday. Except for J-JR-JS insurance, when a policy is paid-up and the TDIP is added, premiums for the provision may be paid until the insured reaches his or her 65th birthday or they may be paid in a one-sum payment. Under the J-JR-JS program, the additional premium for the TDIP rider is payable either to the insured's 65th birthday, or to the end of the premium-paying period of the policy, whichever is earlier.

b. USGLI Premium Payments

(1) TDIP Issued Prior to July 3, 1930. Premiums for the benefit, when attached to Ordinary Life, 20-Payment Life, 30-Payment Life, and 5-Year Convertible Term policies, are payable throughout the life of the policy, irrespective of the period during which premiums are required on the insurance contract. Premiums for this benefit, when attached to an endowment policy, are payable to the maturity date of the policy.

(2) TDIP Issued on or After July 3, 1930

(a) Premiums for the provision are payable to the end of the premium-paying period for the insurance or to age 65, whichever is earlier, in the following cases:

1. 20-Payment Life policy and the provision have the same effective date.
2. 30-Payment Life policy and the provision have the same effective date.
3. Any endowment policy with the provision.

(b) Premiums are payable to age 65 in the following cases:

1. 20-Payment Life policy and the provision have different effective dates.
2. 30-Payment Life policy and the provision have different effective dates.

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3. 5-Year LPT policy with the provision.
4. Whole Life (745) policy with the provision.
5. Ordinary Life policy with the provision.
6. Reduced paid-up policy with the provision.

16.07 PREMIUM RATES

a. TDIP Premiums for NSLI

(1) VA Pamphlet 29-23 [] provides premium rates for the \$10 age 65 TDIP, \$10 age 60 TDIP and \$5 age 60 TDIP (ND). [The TDIP premium rates on term riders due prior to October 1970 will be obtained from the local Actuarial Staff.]

(2) Premiums for \$5 age 60 TDIP (HD) riders [will be furnished by the local Actuarial Staff.]

b. TDIP Premiums for USGLI

(1) When the TDIP and the insurance have the same effective date, premiums for the provision may be obtained from VA Pamphlet 9-2.

(2) When the TDIP effective date is later than the effective date of the insurance the premium for the provision must be calculated by the local Actuarial Staff.

16.08 REQUIREMENTS FOR ADDING AND EXCHANGING TDIP

a. Application. Application for the TDIP should be 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, will be considered as a qualifying application. The prescribed forms are:

(1) VA Form 29-I 606, 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 should also be 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 is also to be 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 will not be required for these insureds unless there is a medical history, or a condition exists which may be questionable for disability insurance purposes.

(3) VA Form 29467a, Application for Exchange of Total Disability Income Provision, for those NSLI policyholders who want to exchange their \$10 age 60 TDIP for the \$10 age 65 TDIP. No evidence of good health is required, but the applicant may not be totally disabled and the exchange must be made before his or her 55th birthday.

b. Premiums. Payment of the first monthly premium for the TDIP must accompany the application, or be of record.

16.09 TERMINATION OF TDIP

The protection afforded by TDIP will cease under any of the following conditions:

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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 I 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 is also to be 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 will not be required for these insureds unless there is a medical history, or a condition (exists) which may be questionable for disability insurance purposes.

(3) VA Form 29-467a, Application for Exchange of Total Disability Income Provision, for those NSLI policyholders who want to exchange their \$10 age 60 TDIP for the \$10 age 65 TDIP. No evidence of good health is required but the applicant may not be totally disabled and the exchange must be made before his 55th birthday.

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- a. Insured attains age specified in rider and is not totally disabled.
- b. Basic insurance policy lapses.
- c. TDIP rider lapses.
- d. Cancellation requested by insured.

(1) 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 premium for that month has not been paid. If the premium for that month has been paid, the effective date of change will be the next premium due date.

(2) Total disability premiums paid and earned prior to the effective date of change for the cancellation are not subject to refund.

- e. Five-year LPT policy expires.
- f. Policy matures as an endowment and insured is not totally disabled.
- g. Policy surrendered for cash or extended insurance.
- h. Policy surrendered for paid-up insurance of less than \$1,000.
- l. Death of insured.
- j. VA makes a determination of fraud by the insured in the application for the insurance or the TDIP.

16.10 REINSTATEMENT OF TDIP

a. TDIP attached to a lapsed policy may be reinstated with the policy if the insured meets the requirements and submits the required proof of good health.

b. Normally, an applicant who meets the health requirements to reinstate lapsed insurance also meets the health requirements for the TDIP. However, a lapsed policy in force under

extended term insurance may be reinstated without a health statement or other medical evidence if reinstatement is made not less than 5 years prior to the date such extended insurance would expire. In any case in which the extended term insurance under an endowment policy provides protection to the end of the endowment period, reinstatement may be made without meeting the requirements of good health. These rules apply to USGLI and NSLI programs but on J-JR-JS policies, application for reinstatement must also be made within 5 years from the date of lapse. While the requirements of good health are waived in reinstating the insurance on these cases, the applicant must meet the requirements of good health to reinstate the TDIP that was in force on the date of lapse.

c. On an NSLI policy that has lapsed with a \$5 age 60 TDIP or a \$10 age 60 TDIP, upon reinstatement of the insurance the insured may, if he or she has not reached his or her 55th birthday, reinstate and change the provision to \$10 age 65 TDIP.

d. If the TDIP was in force at the time a permanent plan policy was surrendered for its cash value while the insured was in active service, it may be reinstated or replaced at the same time and under the same conditions as provided in 38 U.S.C. 781, for reinstatement or replacement of the policy to which it was attached. Reinstatement or replacement shall not be denied if the insured became totally disabled prior to the date of [] application. If the applicant is totally disabled at the time of application for reinstatement or replacement and such disability had existed for less than 6 consecutive months on NSLI, or Less than 4 consecutive months on USGLI, benefit payments will commence the first day of the 7th consecutive month on NSLI, or 5th consecutive month on USGLI. If such disability had existed for at least 6 consecutive months on NSLI, or 4 consecutive months on USGLI, benefit payments will commence on the first monthly anniversary date of total disability on or subsequent to the effective day of reinstatement or replacement but in no event more than 6 months prior to receipt

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of required proof. The TDIP will be issued under the same terms and conditions and in an amount which does not exceed the TDIP which was attached to the permanent plan surrendered.

e. When 5LPT insurance with TDIP has lapsed and the insured wishes to reinstate, he or she must submit the required proof of good health. He or she must also submit two monthly insurance premiums to reinstate the insurance and two monthly TDIP premiums to reinstate the provision.

16.11 MEDICAL EXAMINATIONS FOR TDIP

a. Except as provided in subparagraph b below, when a physical examination is required in connection with an application for, or reinstatement of TDIP, such examination may be made by a medical officer of the United States Army, Navy, Air Force, or Public Health Service, or it may be made free of charge by a full- or part-time salaried physician, [or any individual authorized by the VA to perform such examinations at a VA facility.] Such examination may also be made at the applicant's own expense, by a physician duly licensed for the practice of medicine by a State, possession of the United States, Commonwealth of Puerto Rico, or the District of Columbia, or by a duly licensed osteopathic physician who is a graduate of a recognized and approved college of osteopathy and who is listed in the current directory of the American Osteopathic Association. Such examination may not be made by a physician [or an individual] who is related to the applicant by blood or marriage or associated with the [veteran] in business.

b. A physical examination required in connection with an application for TDIP to be added to J insurance must be made at the applicant's own expense by a physician duly licensed for the practice of

medicine by a State, possession of the United States, Commonwealth of Puerto Rico, or the District of Columbia, or by a duly licensed osteopathic physician who is a graduate of a recognized and approved college of osteopathy and who is listed in the current directory of the American Osteopathic Association. Such examination may not be made by a physician [or an individual] who is related to the applicant by blood or marriage, or associated with him or her in business. However, the facilities of the VA may be used for a physical examination in connection with reinstatement of J-JR-JS insurance of TDIP attached thereto.

16.12 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 or by certified 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.

16.13 CONVERSION AND TDIP

a. When an application for conversion and an application for TDIP, including proof of good health, are received at the same time, and the applicant requests the conversion be effective as of a future date within 120 days of the application and the TDIP be issued on the permanent plan, action will be taken to issue the TDIP with a current effective date on the term insurance. The insured will be informed of the action. He or she will also be informed of the additional premium to be remitted to keep the TDIP in force on the term insurance, and will be told that the application for TDIP will have to be acted on within 31 days or be disapproved. If the TDIP is to be effective as of a future date, a new application will have to be submitted at that time. If the insured does not agree with the action taken, the TDIP on the term insurance will be canceled and any money applied to pay premiums on the rider will be refunded.

b. National Service Life Insurance. When term insurance with TDIP-age 65 is converted and the TDIP was issued or last renewed at the rate for age 54 or under, the TDIP is processed in the usual way; that is the premium for the rider on the permanent plan is the rate for a new issue of the permanent plan TDIP-age 65 at the insured's age on the date the conversion is effected. The effective date will be as of the effectuated date of conversion.

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days of the application and the TDIP be issued on the permanent plan, action will be taken to issue the TDIP with a current effective date on the term insurance. The insured will be informed of our action. He will also be informed of the additional premium to be remitted to keep the TDIP in force on the term insurance. He will be told that the application for TDIP had to be acted on within 31 days or be disapproved. If the TDIP is to be effective as of a future date a new application will have to be submitted at that time. If the insured does not agree

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However, when a 5-LPT policy with TDIP-age 65, issued or renewed at age 55 or older, is converted with the premium for the permanent plan rider scheduled for payment to age 65, the premium rate for the rider will be the same on the permanent plan as it was on the term policy. When a 5-LPT policy with TDIP-age 65, issued or renewed at age 55 or older, is converted with the premium for the permanent plan rider scheduled for payment to age 64 or under, the premium rate will be furnished by the Chief Actuary (299A). Also, if the term TDIP premium rate is for age 55 or over and was obtained from a source other than VA

Pamphlet [] 29-23, the case will be sent to the Chief Actuary (299A) for computation of the TDIP premium rate on the converted contract.

[b. When term insurance with TDIP-age 60 is converted and the TDIP was last renewed at the rate for age 54 or under, the TDIP is processed in the usual way; that is, the premium for the rider will be the rate for the TDIP- age 60 at the insured's age on the date the conversion is effected. The effective date will be as of the effective date of conversion. However, when a 5-LPT with TDIP-age 60 renewed at age 55 or older is converted, the TDIP premium rate for the permanent plan rider will be the same as it was on the term policy.]

c. United States Government Life Insurance. When term insurance with TDIP is converted and the TDIP is continued on the permanent plan, the term TDIP will not be terminated. If the permanent plan is ordinary life, the rider will not be changed. It will have the original effective date and premium. On the other available permanent plans, the rider will have the original effective date but a new premium will be payable. On current conversion, the effective date of the TDIP will be earlier than the effective date of the permanent plan policy on which it is a rider.

16.14 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 TDIP continued.

16.15 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 one with a higher reserve under the USGLI program and to a higher or lower reserve plan under the NSLI programs, 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.

16.16 CHANGE OF PREMIUM-PAYMENT PERIOD

a. When an insured with a limited-payment life policy, that will be paid-up before his or her 65th birthday, has a TDIP-age 65, on which he or she is paying premiums to age 65, requests the payment period be changed so that the rider and the policy will become paid-up at the same time, the adjustment required is the regular premium shortage calculation; i.e., the difference in premiums with interest.

b. When the insured had originally elected to pay the TDIP premiums to the end of the premium-paying period of the policy and requests the payment period be changed to end at age 65, the adjustment will be the regular premium overage calculation; i.e., the difference in premiums without interest. The request for this change in the payment period of the rider must be made in the first year of the TDIP-age 65.

c. When the account is a paid-up limited-payment life policy with TDIP premiums being paid to age 65 and the insured asks to pay the single premium, the adjustment required is the single premium computed as of the date the TDIP-age 65 was acquired, with interest to the date of payment minus the premiums paid on the TDIP- age 65. Interest will not be allowed on the premiums paid.

d. When a request is received to pay the single premium rather than to continue paying the monthly premiums, the insured will be furnished the information. He or she will also be furnished the amount needed to pay the monthly premiums in advance to age 65 with a comparison between the two methods of payment. He or she will be told that, although the single premium is somewhat less than the amount needed to pay premiums in advance should total disability or death occur before becoming 65 years of age, no part of the single premium is refunded. However, when premiums are paid in advance, any premiums paid beyond the date of total disability or date of death are refunded.

16.17 RESTORATION OF TDIP-AGE 60

a. When an insured has a paid-up TDIP-age 60 and exchanges for the TDIP-age 65 and later lapses the TDIP- age 65 and fails to reinstate, after normal lapse procedure has been followed and if the insured has not reached his or her 60th birthday, the TDIP-age 60 will be restored. Premiums paid on the TDIP-age 65 will not be refunded. The TDIP segment in the master record will be changed and the insured notified of the action taken and that he or she now has coverage on the TDIP to age 60. If the insured meets the requirements, the TDIP-age 65 may be reinstated.

b. If, within 90 days after the paid-up TDIP-age 60 is exchanged for the TDIP-age 65, the insured makes it clear he or she did not understand the new rider and would not have requested the exchange had he or she known additional premiums for the TDIP-age 65 were required, the TDIP-age 60 will be restored and any premiums paid on the TDIP-age 65 refunded. The insured will not be allowed to obtain the TDIP-age 65 at a later date. The TDIP segment in the master record will be changed and the insured notified of the action taken and that he or she now has coverage on the TDIP to age 60.

c. In either case, the RPO (record printout) will be noted to show the action taken and will be filed in the insurance folder.

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SURRENDERED OR EXPIRED WHILE IN ACTIVE
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**CHAPTER 17. REPLACEMENT OR REINSTATEMENT OF INSURANCE
SURRENDERED OR EXPIRED WHILE IN ACTIVE
SERVICE-(38 U.S.C. 781)**

17.01 GENERAL

a. Replacement of Permanent Plan. Any person who, while in active service on or after April 25, 1951, and before January 1, 1957, surrendered a permanent plan policy, which was not lapsed, for its cash value under VA Regulation 3115 or 3427 (A) or (B), or under VA Regulation 3186 or 3514 if the policy has no cash value, may be granted a new policy on the same plan and under the same terms and conditions as which was surrendered. However, if the insurance surrendered was an endowment policy with an age limitation (E @ 60, 62 or 65) and the applicant is beyond the age limit, the replacement policy may be issued on some other plan, including another endowment plan. The amount of the new policy may not be in excess of the amount surrendered. (VA Regulations 3002(A), 3003(A), 3400(A)(1) and 3510(A))

b. Reinstatement of Permanent Plan. Any person who, while in active service on or after April 25, 1951, and before January 1, 1957, surrendered a permanent plan policy, which was not lapsed, for its cash value under VA Regulation 3115 or 3427 (A) or (B), or under VA Regulation 3186 or 3514 if the policy had no cash value, may reinstate such surrendered insurance. An endowment plan may not be reinstated after the endowment period has expired. However, the applicant may replace the surrendered insurance with any other available plan. The amount

of insurance reinstated must be in multiples of \$500 but not less than \$ 1,000 except when the policy surrendered was for a reduced amount of paid-up insurance. (VA Regulations 3086(A) and 3422(B)(1))

c. Replacement of Term Plan. Any person having insurance on the term plan, the term of which expired after April 25, 1951, and while such person was in active service or within 120 days after separation, but in either event before January 1, 1957, may be granted insurance on the term plan under the same terms and conditions as the policy which expired. (VA Regulations 3002(B), 3003(B), 3400(A)(2) and 3510(B))

NOTE: The amount of insurance granted under 38 US.C. 781, plus the amount of any other insurance (NSLI or USGLI) in force under premium-paying conditions or as paid-up or extended insurance [(excluding any paid-up additions, shall not exceed \$10,000. (VA Regulations 3003(C) and 3510(C)).

17.02 REQUIREMENTS**a. Application**

(1) Application for replacement or reinstatement of insurance surrendered or expired while in active service must be made during continuous active service after January 1, 1957, or within 120 days after separation from such continuous active service. (VA Regulations 3086(B) and 3422(B)(2).) (Before January 1, 1957, replacement or reinstatement under sec. 5 of the Servicemen's Indemnity Act of 1951 could only be made within 120 days following separation from active service.)

(2) The applicant must have had continuous protection under section 2 of the Servicemen's Indemnity Act of 1951 from the date of surrender of the permanent plan, or date of expiration of the term policy, through December 31, 1956, continuous active service from January 1, 1957, to January 1, 1959, and continuous active service thereafter.

NOTE: Any person who reenters active service on the date of separation or the following day is considered to be in continuous active service. If the final day of the 120-day period falls on a Saturday, Sunday or legal holiday, the time period is extended to include the next workday. If a Sunday or legal holiday intervenes between the date of discharge and the date of re entry into active duty, the period of active duty will be considered continuous, provided the service person reenters active duty on the next day following the Sunday or legal holiday. If there is a break in active service, the service person will lose his or her rights under 38 U.S.C 781, and will not be eligible to apply for insurance either during the remainder of his or her next period of active service or within the 120-day period following separation from his or her next period of active service. If the applicant is in active service,

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information regarding his or her service must be certified by a commissioned or noncommissioned officer who has custody of the service record. If applicant is not in active service, the service information should be certified by a VA Veterans Benefits Counselor, or a certified copy or a photocopy of DD Form 214, [Report of Separation From Active Duty,] may be submitted with the application.

(3) Written request over the veteran's signature containing the necessary information will be considered an application. [If supplemental information is needed, it will be requested by a dictated letter. When a physical examination is needed, VA Form 29-352, Application for Reinstatement, will be used.]

(4) If the applicant is mentally incompetent and a [legal guardian] has been appointed, application may be made only by the [legal guardian] and, if required under State law, after the court has authorized the [legal guardian] to make such application.

(5) If the applicant is mentally incompetent and [a legal guardian] has not been appointed, application may be made by the incompetent veteran provided he or she has sufficient mental capacity to understand the nature of his or her act, and submits medical evidence to that effect.

(6) Term insurance may be replaced and simultaneously converted to a permanent plan. Permanent plan contracts may also be replaced or reinstated and the plan changed as of the same effective date. However, a specific request for both actions must be submitted; i.e., an application for replacement and an application for conversion, etc.

b. Premium. Except for paid-up insurance, there must be paid an amount to cover the premium on the requested amount and plan of insurance for the month in which application is made. The initial premium may be paid by direct pay or allotment from service department active or retirement pay. Subsequent premiums may also be paid by deduction from VA benefit payments.

c. Reserve. Reserve will be required in the following instances:

(1) When Reinstating a Permanent Plan Policy. In these cases, reserve will be charged as follows:

(a) If premiums were paid and earned for 12 or more months, the amount required is the reserve on the amount of insurance to be reinstated, from the original effective date of the surrendered policy to the premium due date of the premium month in which the application is submitted.

(b) If premiums were paid and earned for less than 12 months, the amount required is:

1. The reserve on the amount of insurance to be reinstated, from the original effective date of the surrendered policy to the premium due date of the premium month in which the application is submitted; less

2. The reserve on the amount to be reinstated, from the original effective date to the date of surrender. Interest on this reserve will be computed from the surrender date to the premium due date of the premium month in which the application is submitted.

(2) When Reinstating a Reduced Paid-Up Policy. Reserve will be charged on the amount of paid-up insurance reinstated. In these cases, calculation of the required reserve will be requested from the Chief Actuary (299), [Philadelphia, Pa.]

(3) When Replacing a Term or Permanent Plan Contract As of a Prior Effective Date. If the effective date is established as of the first of any month before the month in which application is made, reserve will be charged from the effective date through the month prior to the month in which the application is submitted. .

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17.03 EFFECTIVE DATE

a. Insurance Replaced Under 38 U.S.C. 781 (VA Regulation 3402(B))

(1) The effective date of insurance replacing a policy under 38 U.S.C. 781 may not be before April 25, 1951, or before the date of entry into active service. Subject to these limitations, and upon written request of the applicant, the effective date may be established as of:

(a) The date on which valid application and payment of premiums are made;

(b) The first day of the month in which valid application and payment of premiums are made;

(c) The first day of the month following the month in which valid application and payment of premiums are made; or

(d) The first day of any month, but not more than 6 months before the month in which valid application and payment of the required reserve and premiums are made.

(2) Unless otherwise specified by the applicant, the effective date will be established as of the date on which valid application and payment of premiums are made.

(a) If a veteran submits an application, then later the premium within the 120-day period, the effective date will be established as of the date the money is received.

(b) If a veteran submits an incomplete application within the 120-day period, and supplemental information after the 120-day period but within the additional period allowed, the effective date will be established as of the date of the incomplete application and not the date the supplemental information is received.

b. Insurance Reinstated Under 38 U.S.C. 781. The effective date of reinstatement will be the last monthly premium due date before the acceptable application and required premiums are delivered to the VA, unless delivered on a premium due date. If delivered on a premium due date, that date will be the reinstatement date. If the application is submitted by mail properly addressed to the VA, the postmark date will be the date of delivery. (VA Regulation 3422(D))

17.04 REPLACEMENT OF TDIP (TOTAL DISABILITY INCOME PROVISION) (VA REGULATIONS 3162.1(B) AND 3496.1(B))

a. General. If the TDIP was in force at the time the permanent plan policy to which it was attached was surrendered for its cash value while the insured was in active service, the discontinued TDIP may be replaced, without medical application, at the same time the insurance is replaced. The amount of TDIP may not be in excess of the amount which was discontinued at the time the insurance was surrendered. The TDIP will be issued under the same terms and conditions as the previous rider with the following exceptions:

- (1) The NSLI \$5 rider may not be replaced after age 60, and
- (2) The USGLI rider may not be replaced after age 65.

b. Requirements

- (1) Application should be made on the same [request used in applying for replacement of the insurance.
- (2) There must be included with the initial insurance premium an amount to cover the initial TDIP premium. Premium for the TDIP must be paid in the same manner and at the same time as premiums on the policy to which it is attached.

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c. Effective Date

- (1) NSLI. The TDIP will be effective as of the same date the policy becomes effective, except if the policy is dated back, the effective date of the TDIP will be the first day of the month during which requirements are met.
- (2) USGLI. The TDIP will be effective as of the same date the policy becomes effective, except if the policy is dated back, the effective date of the TDIP will be the first day of the month during which requirements are met, unless request is made that it become effective as of the premium due date in the following month. (VA Regulation 3163)

17.05 REINSTATEMENT OF TDIP (VA REGULATIONS 3162.1(A) AND 3496.1(A))

a. General. If the TDIP was in force at the time the permanent plan policy to which it was attached was surrendered for its cash value while the insured was in active service, the surrendered TDIP may be reinstated, without medical application, at the same time the insurance is reinstated, with the following exceptions:

- (1) The NSLI \$5 rider may not be reinstated after age 60, and
- (2) The USGLI rider may not be reinstated after age 65.

b. Requirements

(1) Application should be made on the same request used in applying for reinstatement of the insurance.

(2) There must be included with the initial premium and reserve on the insurance policy, an amount sufficient to pay the initial TDIP premium and reserve.

c. Effective Date. The effective date of reinstatement for the TDIP will be the same date as the effective date of reinstatement of the policy to which it is attached.

17.06 PAYMENT OF TOTAL DISABILITY BENEFITS ON NSLI OR USGLI REPLACED OR REINSTATED UNDER 38 U.S.C. 781

Payment of monthly benefits under a TDIP attached to a permanent plan policy issued or reinstated under 38 U.S.C.781 shall not be denied because total disability of the applicant commenced prior to the date of his or her application for replacement or reinstatement. (VA Regulations 3162.2 and 3496.2)

17.06 WAIVER OF PREMIUMS ON NSLI REPLACED OR REINSTATED UNDER 38 U.S.C. 781

a. Waiver of premiums shall not be denied on permanent plans of insurance issued or reinstated under 38 U.S.C. 781 because total disability of the insured commenced prior to the date of his or her application for replacement or reinstatement. (VA Regulation 3440)

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b. On permanent plans issued under 38 U.S.C. 781, waiver of premiums shall not be effective prior to the premium due date of the month in which the application for replacement is submitted or the effective date of such insurance, whichever is the later date. (VA Regulation 3441(A))

c. On permanent plans reinstated under 38 U.S.C. 781, waiver of premiums shall not be effective prior to the effective date of the reinstatement. (VA Regulation 3441(A))

17.08 ADDITION OF TOTAL DISABILITY INCOME PROVISION (TDIP)

If the TDIP was not in force at the time a permanent plan policy was surrendered while the insured was in active service, or if it was attached to a term policy which expired while the insured was in active service, the \$10 age 65 rider may be added to a policy reinstated or replaced under 38 U.S.C. 781 (if the insured meets] the requirements outlined in chapter 16.

17.09 CONSIDERATION OF APPLICATION FOR OTHER TYPES OF INSURANCE

a. Replacement Insurance Instead of Reinstatement. If, in response to a request for the payment of the necessary reserve, the applicant, within the specified time, asks for a replacement policy instead of reinstating the old policy, the request will be granted provided all other requirements are met. In such cases the effective date will be established based upon the original application.

b. Accepting a Disapproved Application for Replacement as an Application for RH Insurance. Where a timely application for replacement of term insurance is medically rejected, it may be considered as an informal application for RH insurance provided (1) there is sufficient credit to meet the monetary requirements and (2) the applicant completes part I and signs part II of a VA Form 29-4364 within the prescribed period. The insurance will be made effective as of the date requested on the original application.

17.10 WITHDRAWAL OF APPLICATION

a. Where the applicant has submitted a timely application with an initial premium and all other requirements are met, the application may not be withdrawn if the request is submitted after the effective date of the insurance.

b. If additional evidence or other requirements must be furnished before a determination of acceptability can be made, the application may be withdrawn, provided the request is submitted prior to the date of submission of the additional requirements.

17.11 REINSTATEMENT OF PAIDUP INSURANCE

Reinstatement of paid-up insurance surrendered for cash under the provisions of 38 U.S.C. 81, will be effected on the same basis as prescribed in the preceding paragraphs for reinstatement of insurance under premium paying conditions with the following exceptions:

a. Where the full amount of paid-up insurance surrendered for its cash value is to be reinstated, such amount need not be in multiples of \$500 and may be less than \$1,000.

b. The amount required to cover the cost of reinstatement of paid-up insurance will be the reserve per thousand on the paid-up insurance, at the attained age of the insured, times the number of thousands of paid-up insurance being reinstated.

The attained age of the insured will be the age at issue of the parent permanent plan policy plus the number of years and months between the effective date of such permanent plan policy and the last monthly anniversary of such date prior to the application for reinstatement.

d. The effective date of the reinstated paid-up insurance will be the effective date of surrender for the paid-up insurance.

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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. 723(a)) which has been exchanged for W 5-Year Limited Convertible Term insurance (38 U.S.C. 723(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.

c. 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.

d. 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.

e. 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.

f. 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.

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.

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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)

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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.

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(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. 724, no reserve credit will be allowed on the term contract.

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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. 712 or 748) 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

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. 712 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. 712 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. 748 (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.

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:

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(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 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

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- (1) The premium for that month has not been paid.
- (2) 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. 712, 724 or 748.

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 there 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.

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. 724 (IN SERVICE WAIVER)

Term insurance in force under inservice 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

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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 inservice 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.

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 \$1,000. However, a

USGLI term policy that has been rered 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. 781 AND CONVERSION

Term contracts may be replaced under 38 U.S.C. 781 and simultaneously converted to a permanent plan.

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.

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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. 707 or 746 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. 707 to continue such insurance in force for that month.

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.

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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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CHAPTER 19. CHANGE OF PLAN

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 hereinafter outlined. 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 insurance. However, [if] it is determined, after the exchange of [a 5 LPT] for the Special Endowment at Age 96 plan, that [] the () policy matured because of the total permanent disability of the insured (VA Regulations 3120, 3121, 3122), or the insured was entitled to [] benefits (VA Regulation 3160 or 3164 [.]) under the Total Disability Income Provision [prior to the exchange, the term policy may be restored]. The insured, upon surrender of () all rights, title and interest in [the endowment policy and any provision attached thereto,] will be entitled to the benefits which are payable under the prior term policy and the total disability provision. The cash value, less any indebtedness on the endowment policy as of the date that due proof is received, will be refunded together with any premiums paid on the total () disability provision. (VA Regulation 3052(B))

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 I 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. ((Deleted.))]
 - f. Under the USGLI and NSLI (V and H) programs, 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. Mso, 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.
 - g. Under the NSLI (RH) 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. 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.

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- (d) The required amount of reserve and the first premium on the new policy must be paid by the insured.
- (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.
 - (d) A comparative health statement must be submitted if the change is made within 1 year from the effective date of the policy or where less than 90 days of such year remains after August 1, 1969, within 90 days of that date.
 - (e) The change must be made within 5 years of the effective date of the policy.

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(d) The required amount of reserve and the first premium on the new policy must be paid by the insured.

(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.

(d) A comparative health statement must be submitted if the change is made within 1 year from the effective date of the policy or when less than 90 days of such year remain after August 1, 1969, within 90 days of that date.

(e) The change must be made within 5 years of the effective date of the policy.

(f) On and after the first anniversary of the policy, the applicant must be in good health and 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 (Nonmedical), 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 or USGLI), the insured must also furnish a complete physical examination report. If the change is to a higher reserve (NSLI only), 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 29-6 IS will be used to obtain the certification of health.

e. If 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. MI applications received indicating that the veteran is disabled and the nature of the disability is furnished, will be forwarded to the Insurance Claims Section via the Insurance Files Section for the attachment of the insurance folder. If the insured is found totally disabled for insurance purposes, the application will be disapproved.]

19.04 CHANGE IN PLAN TO A **POLICY** HAVING A LOWER RESERVE VALUE (VA REGULATIONS 3048 AND 3436)

a. **National** Service Life Insurance

(1) There is no time limit as to when the change may be made. However, prior to September 22, 1952, the change could only be made during the 5-year period from the effective date of the permanent plan policy.

(2) The change may be made on any premium due date prior to the first anniversary date of the policy if the insured is in as good health on the date of change as he or she was on the effective date of the policy. On and after the first anniversary date, the insured must be in good health and submit a complete medical examination report.

(3) 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.]

I.**Change****19.06 REINSTATEMENT OR REPLACEMENT OF INSURANCE UNDER 38 U.S.C. 781 WITH A CHANGE OF PLAN**

A veteran may reinstate or replace a permanent plan policy under 38 U.S.C. 781 and change the plan simultaneously.

19.07 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 the VA, or by the date of signature if the application is received through military channels, if the premium for that month has not been paid.

(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 the VA.

(3) Prospective Effective Date of Change Requested

(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 physical examination. The insured will be advised that consideration may be given to a change as of the premium due date of the premium month in which the request for change was submitted, or as of the next premium-paying month. He or she will also be informed that if the change is to be made as of the future date he or she must submit a new comparative health statement or physical examination report and a new application at the time he or she desires the change to be effective. Before the VA can make a change, the applicant must authorize the action and submit a certification of health within 31 days from the date of notification.

(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 change, but that processing will be deferred until the requested date of change. Further, that the change may be considered with an effective date as of the premium due date of the premium month in which the request was submitted, or as of the next premium-paying month, if he or she authorizes such action. On NSLI policies, the requirements of health must be satisfied.

19.08 REDUCTION AND/OR REINSTATEMENT AND CHANGE OF PLAN

a. A permanent plan may be reduced in amount and the reduced amount change to another permanent plan at the same time if all other conditions are met.

b. Lapsed insurance must be reinstated in the amount to be exchanged for a different permanent plan.

c. When only part of the full amount of insurance is to be exchanged for a contract under another permanent plan, the insurance wffl be reduced or divided (split) in accordance with the following:

(I) The insurance may be reduced when:

(a) The permanent plan has been in force less than 3 months, whether lapsed or not, and even if only a part is to be reinstated.

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19.11 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 wffl not exceed the loan value on the new plan, by deduction from the reserve credit incident to the change.

19.12 PERSONS BY WHOM CHANGE OF PLAN MAY BE EFFECTED

Change of Plan may be made by:

a. The insured, if competent.

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b. The insured through an attorney-in-fact, if the insured gives specific delegation of authority to the attorney-in-fact to change the plan and specifies the particular policy to be changed.

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 the State law.

(19.13 CHANGE OF PLAN WITH PAID-UP ADDITIONS)

a. 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.

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 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 his request, used to pay premiums or applied to an outstanding indebtedness. The paid-up additions may not remain as endowment additions. Also, the amount of paid-up life additions may not exceed the amount of paid-up endowment additions.

19.14 MODIFIED LIFE-AGE 65 CHANGED TO MODIFIED LIFE-AGE 70

a. A new Modified Life-Age 70 plan of NSLI insurance became available on July 1, 1972. Policyholders with the Modified Life-Age 65, reduced Modified Life-Age 65 and replacement insurance may exchange these policies for the new plan.

b. The law which provided for the new plan also granted certain insureds special rights for 1 year (July 1, 1972 through July 2, 1973), to change to the plan. They were:

(1) Insureds past their 65th birthday but who had not reached insurable age 70 with reduced Modified Life-Age 65 in force by payment of premiums could have exchanged to the amount of insurance in force prior to

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age 65 by submitting a signed application, payment of the difference in reserve, and at least one monthly premium on the Modified Life-Age 70. Proof of good health was not required.

(2) Insureds past their 65th birthday but who had not reached insurable age 70 with either the reduced Modified Life-Age 65 or the replacement insurance in a state of lapse (HP 1 or 4) and the other policy was in force by payment of premiums, could have exchanged both policies to the amount of insurance in force prior to age 65 without reinstating the lapsed policy by submitting a signed application, payment of the difference in reserve, and at least one monthly premium on the Modified Life-Age 70. If the lapsed policy was on extended insurance, the net cash value of the extended insurance was added to the cash value of the policy in force in determining the difference in reserve. Proof of good health was not required.

(3) Insureds past their 65th birthday but who had not reached insurable age 70 with the reduced Modified Life-Age 65 in a state of lapse without replacement insurance or with the reduced Modified Life-Age 65 and the replacement insurance both in a state of lapse, must have reinstated the reduced Modified

Life-Age 65 before the change to Modified Life-Age 70 could have been made. When the reduced Modified Life-Age 65 was reinstated and the lapsed replacement insurance was on extended insurance, the cash value of the extended insurance was added to the cash value of the reinstated insurance in determining the difference in reserve.]

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(b) Part of a permanent plan, which has not lapsed and has been in force at least 1 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 may not be reduced but will be divided into contracts when:

(a) Only 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 is involved with division, reduction, and/or reinstatement, all actions wffl be processed

in conformity with the rules prescribed for the particular action involved.

19.09 CHANGE OR WITHDRAWAL OF APPLICATION

a. When a properly signed request for withdrawal or for a permissible plan or amount, other than that stated in the original acceptable application for change of plan, is received in the VA, or bears a postmark date, or there is evidence that it was placed in military channels prior to the "effective date of change," the request will be granted; otherwise, the change as originally requested, will be processed in the usual manner and the applicant informed of the necessary additional requirements to continue the insurance in the amount and plan desired.

b. 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 mailed or otherwise delivered to the VA prior to submission of the requested information or other requirement.

c. When applications for reinstatement and 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 will be processed and the policyholder notified of action taken.

19.10 DEATH OF INSURED

[a.] The application wffl 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 wffl 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.]

(4) 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 (the) Modified Life plan in force who replaces the insurance reduced at age 65 [or 70.]

(5) The old policy must be surrendered with all rights and provisions, but the insured will not be requested to return the policy to the VA.

b. United States Government Life **Insurance**

(1) The plan of insurance must be exchanged within 5 years of the effective date of the permanent plan policy.

(2) The change may be made on any premium due date prior to the first anniversary date of the policy if the insured is in as good health on the date of change as he or she was on the effective date of the policy. On and after the first anniversary date, the insured must be in good health and submit a complete medical examination report.

(3) Permanent plans may *not* be exchanged for the Special Endowment at Age 96 plan.

(4) The old policy must be surrendered with all rights and provisions, but the insured will not be requested to return the policy to the VA.

19.05 CHANGE IN PLAN TO A **POLICY** HAVING A HIGHER RESERVE VALUE (VA REGULATIONS 3047 AND 3435)

a. National Service Life Insurance

(1) There is not 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.

(2) The plan may *not* be changed if the insured is totally disabled.

(3) The insured must pay in cash, 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.

(4) The old policy must be surrendered with all rights and provisions, but the insured will not be requested to return the policy to the VA.

b. United States Government Life Insurance

(1) There is not 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.

(2) A medical examination is not required. The exchange may be made even though the insured is totally disabled.

(3) The insured must pay, in cash, 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.

(4) The Special Endowment at Age 96 plan may not be exchanged for any other plan of insurance.

(5) The old policy must be surrendered with all rights and provisions, but the insured will not be requested to return the policy to the VA.

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h. Under the NSLI (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. 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.

i. Under the NSLI (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, see VA Pamphlets 29-I 5, 29-18 and 29-21.

j. 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 reserve under the USGLI program and to a higher or lower reserve plan under the NSLI program, 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.

~ Under the USGLI program, re-rated 5-Year Level Premium Term insurance may not be exchanged for the Special Endowment at Age 96 plan.

19.02 REQUIREMENTS

a. National Service Life **Insurance**

- (I) 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.
- (d) A comparative health statement must be submitted if the change is made within 1 year from the effective date of the policy or when less than 90 days of such year remain after August 1, 1969, within 90 days of that date.
- (e) On and after the first anniversary of the policy, the applicant must be in good health and must furnish satisfactory proof of same.

b. United States Government Life Insurance

- (I) 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.

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CHAPTER 20. REINSTATEMENTS-INSURANCE AND TDIP

20.01 GENERAL

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. A lapsed policy which is in force under extended term insurance may be reinstated without health statement or other medical evidence, if application and tender of premiums with the required interest are made not less than 5 years prior to the date such extended insurance would expire. In any case in which the extended insurance under an endowment policy provides protection to the **end** of the endowment period, such policy may be reinstated upon application and payment of the premiums with the required interest, and health statement **or** other medical evidence will not be required.

c. An NSLI or USGLI level premium term policy that has lapsed from nonpayment of premiums may be reinstated upon satisfactory evidence of the health of the applicant and payment of two monthly premiums. One premium pays for the month of lapse and the other for the premium month in which reinstatement is effected. No interest is charged on the premiums. [Title 38, United States Code, Sections 705 and 745,] provides that lapsed term insurance may be reinstated at any time within 5 years of the date of lapse. On or after July 23, 1953, and prior to June 25, 1970, term insurance that lapsed in the 59th or 60th month **of** the term period could have been reinstated and renewed during the next term period. Level premium term may be reinstated and converted simultaneously. When this action is taken, the insured will pay one monthly term premium for the month of lapse and one monthly premium on the permanent plan for the month of reinstatement.

d. Reinstatement is effected when an acceptable application and the required monetary payment are delivered to the VA. The effective date of reinstatement shall be the premium (not calendar) month in which the application is submitted, governed by the postmark date, if mailed, by the earliest VA receiving stamp date if otherwise delivered, or by the date of signature if received through military channels. However, if reinstatement is effected on the due date of a premium, then in such case, that date shall be the reinstatement date (VA Regulations 3078(B) and 3422(D)).

e. Policies issued under the J-JR-JS program may not be reinstated after 5 years from the date **of** lapse.

f. The requirements to reinstate lapsed TDIP are generally the same as for the policy to which it is attached. An exception to this rule is explained in paragraph 20.09h in regard to proof of good health. An NSLI TDIP rider may be reinstated but not issued on or after the insured's 55th birthday.

g. 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. -

[h. When a policy is reinstated 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.

i. If an 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.

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j. If an account was reinstated during the year 1972 and there were dividend credit and/or deposit balances, those credits and/or deposits could have been used to purchase paid-up additions if the request was postmarked on or before December 31, 1972.]

20.02 APPLICATIONS

a. An application for reinstatement of insurance and/or TDIP, whenever practical, should be submitted on one of the following forms:

(1) VA Form 29-352, Application for Reinstatement (Medical), for term or permanent plans of insurance after 6 months from date of lapse with insurance age at date of reinstatement over 50 or after 1 year from date of lapse regardless of age.

(2) VA Form 29-353, Application for Reinstatement (Nonmedical)), for term or permanent plans of insurance within 6 months from the date of lapse.

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

(4) 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.

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

b. An informal application over the signature of the insured, accompanied by required health evidence and payment of the cost of reinstatement, may be considered as a qualifying application.

20.03 APPLICATION, REMITTANCE AND/OR MEDICAL EVIDENCE SUBMITTED ON DIFFERENT DATES

a. If the required remittance is mailed or otherwise delivered to the VA within 31 days after the date of signature and/or medical examination, the application may be processed and the delay ignored.

b. Medical examinations, accompanied or preceded by the required remittance, and submitted not more than 31 days after the date of physical examination report may be processed and the delay ignored.

c. The application for reinstatement should be disapproved if:

(1) More than 31 days have elapsed after the date of signature and/or medical application before the required remittance is received, or

(2) More than 31 days have elapsed after the date of the physical examination report before the medical application is received, or

(3) No physical examination report accompanies an application requiring such report.

d. If sufficient money is timely submitted to reinstate a lapsed term policy but the application for reinstatement is submitted late, the application may be accepted. However, if the application is submitted timely and the money is submitted late the application may not be accepted.

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20.04 GRANTING ADDITIONAL TIME TO MEET REQUIREMENTS

When it is necessary to obtain either additional information or money from an applicant, and a delay in processing by the VA has resulted in the prescribed period having either expired or insufficient time remains, allow the applicant 15 days from the date of the letter of notification (31 days outside the continental U.S.) to meet requirements. This additional time will be granted only when the delay is caused by VA action.

20.05 SUPPLEMENTAL INFORMATION

If the answers to the questions on a Nonmedical application are missing, inconsistent or inadequate and the questions involved are of enough importance to have a bearing on the reinstatement, additional information must be furnished by the applicant.

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20.06 INTEREST ON PREMIUMS

a. Prior to December 28, 1967, interest was not charged on premiums in arrears if reinstatement was effected within 3 months after the date of lapse. On and after that date the interest-free period on reinstatements was extended to 6 months.

b. Interest on premiums in arrears with due dates on and after September 1, 1971, will be at the rate of 5 percent per annum, compounded annually, to the policy month in which reinstatement is effective. Interest on premiums in arrears with due dates on or after August 1, 1946, and prior to September 1, 1971, will be at the rate of 4 percent per annum, compounded annually, to the policy month in which reinstatement is effective. (VA Regulations 3078(A) and 3422(A))

20.07 INDEBTEDNESS ON POLICY AT DATE OF LAPSE

Upon reinstatement of the policy, the payment of reinstatement of any indebtedness against the policy must be made, and if such indebtedness with interest exceeds the reserve value of the insurance at the time

of application **for** reinstatement, the amount of excess must be paid by the applicant as a condition of the reinstatement of the indebtedness and the policy.

20.08 **HEALTH REQUIREMENTS** (VA Regulations 3079 and 3423)

a. Reinstatement may be made within 6 calendar months, including the calendar month for which the unpaid premium is due, provided the applicant is in as **good** health on the date of application for reinstatement **and** tender of premiums as he or she was on the last day of the grace period of the premium in default **and** furnishes satisfactory evidence thereof.

b. Prior to December 28, 1967, reinstatement by comparative health statement could be made within 3

months only.

c. Reinstatement may be made after 6 calendar months, including the calendar month for which the unpaid premium is due, provided the applicant is in good health on the date of application for reinstatement and tender of premiums, and furnishes evidence thereof.

d. Prior to August 1, **1948**, health requirements to reinstate lapsed term insurance were met by submission of a comparative health statement. The insurance could have been lapsed for an indefinite period of time but the reinstatement must be made within the 5-year term period in which the lapse occurred.

e. Prior to January 1, 1947, term or permanent plans of NSLI could be reinstated at any time without a medical examination.

f. On or after January 1, 1947, application for reinstatement could be made without a physical examination if the application was submitted while the applicant was in active service or within 6 months after discharge, provided the application was submitted during WW II or within 6 months thereafter.

g. When an application for reinstatement of a lapsed NSLI policy (N or V prefix) was received between August 1, 1946, and December 31, 1949 (both dates inclusive), the policy was reinstated as an NSLI policy (H prefix) if it was determined the applicant was in the required health except for a disability resulting from or aggravated by active military or naval service and the disability was less than total in degree and occurred in the actual performance of duty between October 8, 1940, and September 2, 1945.

h. On or after August 14, 1968, if the NSLI policy to be reinstated was issued under the RH program (**38 U.S.C. 722(a)**) or the J or JR programs (**38 U.S.C. 725 (a) and (b)**) **and** the application for reinstatement is submitted within 1 year of the date **of** lapse, any service-connected disability existing at the time the insurance was issued, including natural progression of the condition, will be waived for the purpose of reinstatement. If the insurance was issued under the JS program (**38 U.S.C. 725(c)**) and the application for reinstatement is submitted

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within 1 year of the date of lapse, any non-service-connected disability **or** service-connected disability which, combined with a non-service-connected disability, rendered the insured uninsurable as of October 13, 1964, including natural progression, will be waived for the purpose **of** reinstatement. Prior to August **14**, 1968, policies issued under these programs had to meet the regular reinstatement requirements.

20.09 APPLICATION AND MEDICAL EVIDENCE

a. An applicant for reinstatement of lapsed USGLI **or** NSLI must submit an application (formal **or** informal) signed by [the insured] and furnish evidence of health as required.

b. If the application is submitted within 6 months from the date **of** lapse, a VA Form 29-353 or comparative health statement from the insured may be accepted as proof of **good** health. The statement attests that the applicant is in as good health on the date of application and tender of premiums as he or she was on the last day **of** the grace period of the premium in default.

c. If the application is submitted after the initial 6-month period but before 1 year has elapsed from the date **of** lapse and the applicant's insurance age is 50 **or** under, a VA Form 29-353a may be accepted as proof **of good** health. In this type **of** application, the applicant attests **to** his **or** her current state health.

d. If the application is submitted after the initial 6-month period and the applicant's insurance age is 51 **or** older, **or** the application is submitted 1 year **or** more after the date of lapse, regardless of age, a VA Form 29-352 or its equivalent must be submitted. With this application, the applicant must have a physical examination by a recognized medical doctor, [or, if the examination is conducted at a VA facility, by any person authorized by the VA to conduct examinations.] Part III **of** the application [must be completed by the examining physician or the individual authorized by the VA to conduct such an] examination.

e. 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.

f. Insurance age is the applicant's age on his or her birthday nearest the effective date of reinstatement.

g. If the insurance becomes a claim after the tender of the amount necessary **to** meet reinstatement requirements but before full compliance with all the requirements **of** reinstatement, and the applicant was in a required state **of** health on the date he **or** she made the tender of the amount necessary to meet reinstatement requirements and there are satisfactory reasons for [the insured] not meeting all the requirements, the [Chief, Insurance Division in the VA centers] may, if the applicant is dead, waive any of the requirements **of** reinstatement except payment of the necessary premiums **or**, if the applicant is alive, allow him or her to meet the requirements **of** reinstatement as of the date the required amount was received by the VA. (VA Regulations 3080 and 3424)

h: Normally, an applicant who meets the health requirements to reinstate lapsed insurance also meets the health requirements to reinstate the TDIP. However, a lapsed policy in force under extended term insurance may be reinstated without a health statement **or** other medical evidence if reinstatement is made not less than 5 years prior to the date such extended insurance would expire. When the extended term insurance under an endowment policy provides protection to the end **of** the endowment period, reinstatement may be made without meeting the requirements of good health. These rules apply to USGLI and NSLI programs but the 5-year rule on J-JR-JS policies must also be met. While the requirements of good health are waived in reinstating the insurance on the above cases, the applicant must meet the requirements of good health to reinstate the TDIP that was in force **to** the date of lapse.

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CHAPTER 21. EXCHANGE-RS TO W AND K TERM TO SPECIAL ENDOWMENT AT AGE 96
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SUBCHAPTER I. EXCHANGE RS TO W

21.01 GENERAL

a. MI insurance issued under the provisions of section 621 of the NSLI act was on the term plan and was prefixed by the letters RS. It was granted to veterans separated from service on or after April 25, 1951, and was not convertible until January 1, 1959. No new RS contracts could be issued after December 31, 1956.

b. 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.

c. RS term insurance may be exchanged while on a premium-paying basis for a policy of limited convertible term insurance (W) issued under 38 U.S.C. 723(b). Insurance under this [subchapter] will be issued under the same terms and conditions as those contained in the standard policies of NSLI except as follows:

(1) Limited convertible term insurance may not be issued or renewed after the insured's 50th birthday.

(2) Premium rates for such convertible term insurance are based on Table X.18 (1950.54 intercompany Table of Mortality) and interest at the rate of 2-1/2 percent a year.

(3) MI settlements on policies involving annuities on insurance issued under this [subchapter] will be calculated on the basis of the annuity table for 1949, and interest at the rate of 2-1/2 percent a year.

(4) Collections for [W] insurance and TDIP will be credited directly to the Veterans Special [] insurance Fund (RS or W Fund).

(5) W term insurance must be converted to a permanent plan of insurance before the end of the term period which expires on or after the insured's 50th birthday; otherwise, insurance protection ceases at the end of such term period.

21.02 REQUIREMENTS

The exchange will be made without medical examination upon complete surrender of the policy being exchanged while it is in force, by the payment or waiver of premiums. Exchange must be in multiples of \$500, and no contract will be issued for less than \$1,000.

a. Application.] A written request, over the veteran's signature, containing the necessary information [is the only] application [required.]

b. Premium. A remittance must 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 is made, except when premium waiver is effect.

c. Reserve. The reserve, if any, on the term policy will be allowed as a credit and may be used for payment of premiums. However, if no premiums are due because of disability waiver (38 U.S.C. 712) 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.

21.03 EFFECTIVE DATE

The effective date for limited convertible term insurance will be the premium due date of the premium month in which the application is mailed or otherwise delivered to the VA.

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21.04 WITHDRAWAL OF APPLICATION

a. When an application for exchange of RS insurance is received and the insurance, because of age, is restricted to one term period, the insured will be advised of the limitation and given the opportunity to withdraw the application. If he or she fails to reply, the exchange will be processed.

b. If an insured, regardless of age, requests that the application for exchange be canceled and the RS insurance continued, [the insured] will be allowed 31 days to submit the money necessary to satisfy the difference between the RS and W premiums. If the required payment is not forwarded within the time limit, the exchange will be processed. The insured will be 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 will be filed in the insurance folder for record purposes.

21.05 INSURED INCOMPETENT

When an application is received on behalf of an incompetent veteran, the [legal] guardian and/or the veteran (when he or she understands the nature of the act in applying for exchange) will be advised of the advantages of conversion and will be furnished the necessary application. When the contract is not under waiver, the case will be forwarded to the Insurance Claims Section for determination of entitlement to waiver of premium.

SUBCHAPTER II. EXCHANGE-K TERM TO SPECIAL ENDOWMENT AT AGE 96 PLAN

21.06 GENERAL

USGLI term insurance (K), while on a premium-paying basis, may be exchanged for a Special Endowment at Age 96 plan. The insurance will be issued under the same terms and conditions as standard policies on USGLI except as follows:

- a. The insurance could not have been exchanged prior to July 25, 1962 (PL 87-549) or before the insured's 65th birthday.
- b. The exchange may not be antedated.
- c. All rights to the total permanent disability benefits under the level premium term insurance and any total disability provision attached must be surrendered.
- d. A provision for waiver of premiums on account of total permanent disability at an additional premium, may be attached to the policy. However, it must be applied for at the same time as the application for the endowment plan; it may not be added later.
- e. The insured may have the premium waiver provision discontinued at any time. It may be reinstated at a later date by meeting reinstatement requirements.
- f. Endowment at Age 96 plan may not be changed to any other plan.
- g. Changes from other permanent plans to this plan are not permitted.

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21.07 REQUIREMENTS

The exchange to the Endowment at Age 96 plan will be made without medical examination but the applicant may not be totally and permanently disabled on the effective date of change. The exchange must in multiples of \$500 and not less than \$1,000. Rerated term insurance may not be exchanged to the Endowment at Age 96 plan.

- a. Application. Application should be made on VA Form 29-358a, Application for Exchange to Special Endowment at Age 96 plan. However, a request in writing over the signature of the insured, containing the

necessary information may be considered as an application.

b. Premium. A remittance must accompany flu application to pay the premium for the insured's attained age, on the amount of insurance exchanged, for the month in which the exchange will become effective.

c. Reserve. Term reserve credit will not be allowed when exchanging to this plan of insurance.

21.08 EFFECTIVE DATE

The Endowment at Age 96 contract will be made effective as of the premium due date for the month in which the application is submitted, or as of the next monthly premium due date if the term premium has been paid.

21.09 CANCELLATION OF EXCHANGE

If it is subsequently found that prior to the exchange, the term insurance matured because of total permanent disability or that there was entitlement to total disability benefits under the total disability provision, the insured will be entitled to benefits under the old contract. In such cases the Endowment at Age 96 plan and the waiver of premiums provision, if any, must be surrendered. The cash value of the Endowment at Age 96 plan, less any indebtedness, as of the date that due proof is received, will be refunded together with any premiums paid on the Endowment at Age 96 plan after the receipt of due proof and any premiums paid on the total permanent disability (waiver of premiums). Premiums paid on the term contract are not refundable. (VA Regulation 3052)

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23.05 EFFECTIVE DATE OF CHANGE

a. The "effective date of change" for reduction will be as follows:

(1) Use the due date of the premium month in which the request for reduction was submitted if the premium for that month has not been paid, or allotment from service pay is on a month-to-month basis, and there is no dividend credit available sufficient to complete the premium for the full amount of insurance for that month.

(2) Use 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, either under 38 U.S.C. 724 or 712.

(c) If insurance is in force under extended term insurance.

(d) If the method of payment is by allotment and premiums are being paid in advance, or if premiums are being paid by deductions from VA benefit payments.

(3) Use 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.

b. The "effective date of change" for division will be the effective date of the contract being divided.

23.06 REDUCTION WITH TOTAL DISABILITY INCOME PROVISION

a. Where addition of TDIP and reduction are requested at the same time and both applications are acceptable, the reduction will be effected first and then the TDIP added to the reduced policy.

b. Where addition of TDIP and reduction are requested, with the reduction effective as of a future date, the TDIP will be added to the full amount of existing insurance.

c. 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 effected; except when reducing extended term insurance under a permanent plan policy which lapsed after having been in force at least 1 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.

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23.08 REDUCTION OF A CONTRACT IN FORCE AS EXTENDED TERM INSURANCE

j. Extended term insurance resulting from a contract which lapsed after being in force 1 year or longer may be reduced reinstating any portion.

b. Extended term insurance resulting from a contract which lapsed after being in force not less than 3 nor more than 12 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. Surrender for cash of 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 the 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. Where there is policy loan indebtedness, a proportionate part will be carried over on the retained amount of insurance.

b. Where there is 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:

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a. Where there is policy loan indebtedness, a proportionate part will be carried over on the retained amount of insurance.

b. Where there is 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

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CHAPTER 22. CORRECTION OF DATE OF BIRTH

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 if the insured fails, within the period specified, to reply to correspondence requesting clarification, advises in writing that the older age is correct, or submits payment of the difference in premiums.
- e. Date of birth discrepancies that do not change the insurance age will not be clarified unless the plan of insurance is Modified Life, or there is a Total Disability Income Provision involved, or a claim for disability benefits is received and the discrepancy is sufficient to affect a determination as to whether disability commenced before the insured's 65th birthday.
- f. If the discrepancy is not to be clarified, the date of birth recorded on the insurance records at the time the discrepancy is discovered will be retained for subsequent transactions.
- g. Inactive policies will not be considered unless they are reinstated.

h. When the insured is in active service, address any correspondence [] regarding the date of birth discrepancy through his or her commanding officer.

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. Notification by the service department that evidence as to the correct date of birth has been received and the appropriate change has been established in that department, together with information as to the source of the evidence used as a basis for such change. Such notification will be accepted by the VA provided the evidence conforms to VA regulations and there is no contrary documentary evidence of record in the insurance folder.

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.

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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. Photostats of original documents or of certified copies of records of birth will be accepted 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 shall 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)

- 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 (insurance and/or TDIP) 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 and TDIP 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. When TDIP is part of the contract, the insured must also pay the difference in the rider reserve, [and] the case will be sent to the Chief, Actuarial Staff (299A) for calculation of the required amounts. [Calculations for reserve not involving TDIP 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 a Modified Life 65 policy effective June 1, 1965, 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, 1965, to January 1, 1975 (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	\$1.92	
Step 2. Gross monthly premium paid at age 47 (\$1.41 x 55)	\$7.76	
Step 3. Actual amount of insurance in force at the correct age (\$7.76+1.92x\$1,000)		\$4,041.67

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Step 4. Reserve per \$1,000 based on time policy has been in force (9, 7-12) at age 55		
75-I Date veteran notified		
65-6 Effective date of policy		
9-7 (9 years and 7 months)	\$80.90	
Step 5. Amount of reserve required on \$5,500 (\$5,500 x \$80.90)		\$444.95

Step 6. Amount of reserve on the amount of insurance shown in Step 3.
(\$4,041.67 x \$80.90) \$326.97

Step 7. Difference in reserve to be paid \$117.98]

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. When TDIP is part of the contract, it will be reduced in the same manner and to the same amount as the life insurance to which it is attached. However, if the resultant amount of the rider is less than \$ 1 ,000, the provision will be canceled as of the date the insurance is reduced.

(1) Term insurance and any TDIP rider attached will be reduced as of the premium due date of the policy month in which the insured is notified that the discrepant dates of birth appear in his or her records.

(2) For a permanent plan policy, the insurance and/or TDIP will be reduced as of the effective date of the insurance and/or TDIP.

d. [] Dividend overpayments or underpayments, premiums waived under 38 U.S.C. 724, 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 (299) 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 and permanent disability benefits under a USGLI policy, or total disability income benefits under an NSLI or USGLI policy.

(2) The insured is alive and has applied for or is receiving waiver of premium and/or TDIP or TPD benefits.

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 and any TDIP credits [paid on the current renewal period, and the period prior to the current renewal, will be considered in the calculation.] Policies with an N or T prefix will not be considered in the overpayments.

[(2)] On permanent plans, only the premium and/or TDIP 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 waivers under 38 U.S.C. 712, 724 or 748, or pure insurance, risk refund previously paid.

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 (insurance and/or

TDIP) 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 and/or TDIP 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 (insurance and/or TDIP) 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 and/or TDIP premium 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. 781 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 and/or TDIP 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 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.

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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CHAPTER 23. REDUCTION AND DIVISION

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23.01 REDUCTION

[a.] The face amount of a Government Life Insurance policy may be reduced [to any amount requested by the insured.]

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.]

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 or USGLI contract.
- (3) Applied in repayment of a loan or lien indebtedness on any NSLI or USGLI 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 for not less than 3 months nor more than 11 months, except any plan issued under 38 U.S.C. 725;
- (2) Any permanent plan in force for not less than 1 year, if the insured does not request some other disposition.

NOTE: Prior to August 2, 1948, no reserve was available to purchase extended insurance unless the policy had been in force for at least 1 year.

23.03 REQUIREMENTS FOR REDUCTION

a. *Application.* Request for reduction should be made on VA Form 29-339, Application for Reduction. However, a request in writing over the signature of the insured stating the amount of insurance to be retained may be accepted. 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*

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(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 except when a permanent plan contract is in force under a 38 U.S.C. 724 waiver.

(3) If insurance is lapsed and in force under extended insurance, no premium payment is necessary if no part of the insurance is to be reinstated. Otherwise, payment is required of an amount sufficient to complete the cost of reinstating the portion to be restored to 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 effected 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 is to be automatically applied to purchase extended term insurance as provided in paragraph 23.02b above.

(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 effected when:

(1) The insured applies for the total disability income provision to be attached to only part of a policy and the remainder of the policy is to be continued in force;

(2) 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;

(3) 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;

(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, a new application for policy loan is required for each new contract on which a portion of the loan is to be carried. A new loan application is not required for any contract continued as extended insurance.

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23.05 EFFECTIVE DATE OF CHANGE

a. The *effective date of change*" for reduction will be as follows:

(1) (Use *the due date of the premium month in which the* reduction was submitted, if the premium for that month has not been paid, or allotment from **service pay is on a month to month basis, and there is** no dividend credit available sufficient to complete the premium for the full amount of insurance for that month.

(2) *Use 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, either under 38 U.S.C. 724 or 712.

(c) If insurance is in force under extended term insurance.

(d) If the method of payment is by allotment and premiums are being paid in advance, or if premiums are being paid by deductions from VA benefit payments.

(3) *Use 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.

- b. The *effective date of change*" for division will be the effective date of the contract being divided.

23.06 REDUCTION WITH TOTAL DISABILITY INCOME PROVISION

- a. Where addition of TDIP and reduction are requested at the same time and both applications are acceptable, the reduction will be effected first and then the TDIP added to the reduced policy.
- b. Where addition of TDIP and reduction are requested, with the reduction effective as of a future date, the TDIP will be added to the full amount of existing insurance.
- c. 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 effected; except when reducing extended term insurance under a permanent plan policy which lapsed after having been in force at least 1 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.

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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 nor 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. Surrender for cash of 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 of 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 **iii** 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 **the** 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. Where there is a policy loan indebtedness, a proportionate part 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:

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(a) Less than 3 months, the entire indebtedness and interest will be transferred to the retained amount of insurance.

(b) Not less than 3 nor 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 desire: 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 nor more than 11 months.

d. Where there is finance *indebtedness*, recovery may be made from cash payment of the reserve resulting from reduction of any of the insured's contracts.

[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, at least \$1 ,000 of Insurance remains in force and all other conditions are met].

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CHAPTER 24. CHANGE OR CORRECTION OF NAME

24.01 GENERAL

a. **Name (of Insured).** The records of the VA will be amended to **reflect the correct name** of the **insured** or change in his/her name upon receipt of satisfactory evidence is to the correct or new name. Generally, **lie 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 wife 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 Forms 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 (o 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*."

• (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.

(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.

(t) 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*."

(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.

(h) If the insured wants to take, add, or change a given name.

(i) If the insured wishes to drop or add to his name the suffix "Jr." or "Sr."

(j) If the insured's name has been changed by marriage.

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(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 (l) 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, the service department, under which service was performed under the assumed name or alias, should be contacted to determine whether the records indicate any evidence relative to the *correct name* of the insured.

d. *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.

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CHAPTER 25. MISCELLANEOUS UNDERWRITING ACTIONS

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CHAPTER 25. MISCELLANEOUS UNDERWRITING ACTIONS

SUBCHAPTER (11. CONSOLIDATION

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, H, RH, RS, etc.) The contracts to be consolidated must have the same effective date, age, and plan of insurance.

b. 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 has 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. Contracts under 38 U.S.C. 724 (inservice) waiver may be consolidated provided the effective dates of waiver are the same.

- .- **f. The request for consolidation must be over the signature of the insured, 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 number of the consolidated contract will be the file number, if the insurance contract bearing the file number is one of the contracts being consolidated. If the file number is not involved in the consolidation, the lowest number of the contracts being consolidated will be retained as the number of the consolidated contract.

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.

SUBCHAPTER II. [(Deleted by change I.)J

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SUBCHAPTER (3). RESTORATION (REVIVAL)

25.09 GENERAL

a. Restoration of the insurance will be taken when a memorandum 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 lapse.**

b. Restoration Will Be Taken

- (1) When part of a term contract was allowed to lapse at the time of reduction or conversion.**

(2) When insurance protection was discontinued because **the** veteran stated that it was no longer desired.

(3) If part of a permanent plan contract in force less than 3 months was allowed to lapse at the time of reduction.

(4) If a total disability income provision was attached and allowed to 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.

25.10 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 tile insurance.

25.11 BENEFICIARY AND OPTIONAL SETTLEMENT DESIGNATION

a. If a beneficiary designation was made for the amount of insurance retained at the time of reduction or conversion, the insured will be asked to clarify the matter, since the restored insurance will retain the former beneficiary designation and option unless changed.

b. An incompetent veteran will not be contacted concerning the beneficiary designation unless there is of record evidence concerning his ability to understand the nature of his act in making the change.

SUBCHAPTER [4] - CHANGE OF EFFECTIVE DATE

25.12 GENERAL

a. There is no authority in the law or regulations which 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 the 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.

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(2) Upon receipt of satisfactory evidence that at the time of original issue or conversion the insured was improperly informed of his/her rights under the law and regulations and provided the requested effective date is 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.

25.13 GENERAL

- a. Where two or more insurance folders (except N) have been established for the same person, the records will be combined.
- b. The order of precedence is V (including RS, RH, H, J and K). When an **RH** application is approved and there is an active J or K folder, the folders will be combined by the Underwriting 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.

SUBCHAPTER [6J - DIVISION OF AN INSURANCE CONTRACT

25.14 GENERAL

A division is the issue of two or more contracts, the total of which equals the face amount of the original contract. Division must be made in multiples of \$500, but no contract will be issued for an amount less than \$1,000.

25.15 REQUIREMENTS

- a. Lapsed contracts must be reinstated in the amount to be retained, prior to division, unless the insurance is in force as extended insurance.
- b. Contracts under 724 (inservice) waiver may be divided at any time.
- c. The request for division must be over the signature of the insured and the-required premium. if any. should accompany the request.

25.16 EFFECTIVE DATE OF CHANGE

The effective date of change for division of an insurance contract (split) is the effective date of the contract being divided.

25.17 BENEFICIARY AND OPTIONAL SETTLEMENT DESIGNATION

Before the insured is notified of the action taken, the beneficiary designation and optional settlement will be checked to see if they are in order. Where clarification appears necessary, **VA Form 29-336** will be sent for **completion**.

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CHAPTER 26. BENEFICIARY AND OPTIONAL SETTLEMENT

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M29-1, Part I
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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 1, 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 1 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.

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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 had been withdrawn by the insured, any designation by last will and testament will be considered valid.

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.

j. 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 on Form 29-336 will be released with a dictated letter, requesting the insured to complete, sign and return the form to confirm the designation it appears on the disapproved application or, if he so desires, to designate a new beneficiary. The designation on the disapproved application, assignment of a reel number and microfilming.

1. If the insured uses the carbon copy or the photocopy of a previous designation of beneficiary to request a change of beneficiary by lining out prior entries and inserting new entries, it will not be accepted unless he has initialed each change and redated 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.]

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 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 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.

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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 1.)

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 1, 1946, 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.

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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

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 120 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:

(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 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.

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:

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(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.

c. 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.

d. 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..

e. 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.

f. 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.

g. 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.

h. 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 12.

(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.

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(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 (120 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 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 beneficiary.

e. The \$10 limitation described in paragraph 26.10c is not applicable to the settlement of a USGLI contract.

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.

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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. j

26.14 BENEFICIARY AND OPTION DESIGNATIONS WHERE CONTRACT CHANGES ARE INVOLVED

Where a reduction, division, consolidation, conversion, reinstatement or other underwriting change is effected and the beneficiary and/or option designation is not clear, clarification will be requested by release of VA Form 29-336.

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CHAPTER 27. ISSUANCE OF REPLACEMENT POLICIES AND RIDERS

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CHAPTER 27. ISSUANCE OF REPLACEMENT POLICIES AND RIDERS

27.01 GENERAL

insurance policies and/or total disability income provision riders may be issued to replace those that have been lost or destroyed. **The** same requirements for replacement of policies and/or riders apply to both United States Government and National Service Life Insurance.

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 designated by him.

(3) When replacement has been authorized the request need not be filed in the insurance folder.

(4) 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 the computer. However, when the document is not a pinfeed form, the policy and/or rider will be prepared by typewriter.

c. "V" policies will be used for replacement "H" policies. The letter "V" will be deleted and replaced with the letter "H."

d. Replacement policies and/or riders will not be marked as a duplicate or replacement policy.

e. 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.

(l) 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.

(2) **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 ace 65 rider will be included.

(3) 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.

(4) **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 would have been exhausted and that there would be no proceeds available for payment of any beneficiary.

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CHAPTER 28. CANCELLATION, FRAUD OR FORFEITURE**28.01 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. Authorizations for cancellation, fraud or forfeiture actions are provided by law and VA regulations.

c. The law is published in title 38 U.S.Code as follows:

(1) NSLI (National Service Life Insurance)-sections 710 and 711.

(2) USGLI (United States Government Life Insurance)-sections 754.

d. The following VA regulations pertain to these actions:

(1) Fraud

(a) NSLI-paragraphs 3462 and 3463.

(b) USGLI-paragraphs 3045(A) and 3046.

(2) Fraudulent Enlistment

(a) NSLI-paragraph 3462

(b) USGLI-paragraph 3045(B)

(3) Forfeiture-NSLI only-paragraph 3461

(4) Death Inflicted as Lawful Punishment for Crime, or Military or Naval Offense

(a) NSLI-paragraph 3461

(b) USGLI-paragraph 3045(A)

28.02 DECISION OF FRAUD

a. If, after approval of an application for insurance, TDIP, reinstatement, exchange, conversion of term insurance, or change of plan, it is determined that fraud was involved in the procurement of the

contract, a fraud decision will be rendered by the Insurance Claims section. The 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 before such action was taken.

b. when a fraud decision is rendered, the disposition of moneys will be governed by the following:

(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.

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(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.

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 under the provisions of 38 U.S. C. 710, will remain in the trust funds or appropriations to which they are deposited.

e. There shall be deducted from any premiums subject to refund the amount of any loan, dividend, total disability income, difference in reserve on a change in plan from a higher reserve, death award, or other payment which would not have been disbursed except for the fraudulent act. It is to be noted that if the fraud was committed in connection with an application for TDIP only, deduction of any disability income benefits which have been disbursed erroneously may be made only from premiums tendered for TDIP which are subject to refund. If the insured is deceased and erroneous death insurance benefit

payments have been made, it will be necessary for the Finance and Data Processing Division to offset the erroneous payments.

28.03 FRAUDULENT ENLISTMENT

a. Subject to the provisions of 38 title U.S. Code and VA regulations, 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 Administrator 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.

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28.04 FORFEITURE UNDER 38 U.S.C. 711

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. In any case in which the insured provided for the payment of premiums on his insurance by authorizing in writing the deduction of premiums from his service pay, such insurance shall be deemed not to have been forfeited because of desertion so long as he remained in active service before the date of enactment of the Insurance Act of 1946, notwithstanding the fact that deduction of premiums was discontinued because:

(1) The insured was absent without leave, if restored to active duty; or

(2) The insured was sentenced by court-martial, if he was restored to active duty, required to engage in combat, or killed in combat.

c. The service departments furnish the VA with copies of 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. 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 memorandum contains sufficient data to make a determination as to whether the offense is one involving forfeiture of all rights to insurance. 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 or aiding the enemy	104
Spying	106

d. 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.

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 (NSLI or USGLI) 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 contract values, 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. 716(b) for NSLI or to the estate of the insured for USGLI.

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b. Where satisfactory evidence discloses that death was inflicted as a lawful punishment for crime, or for military or naval offense, other than a forfeiture as defined in 38 U.S.C. 711 for NSLI, the insurance will be canceled as of the date of execution.

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CHAPTER 29. TOTAL PERMANENT DISABILITY (USGLI)

29.01 GENERAL

a. TPD (**Total** permanent disability) is a basic provision in all USGLI policies except the Special Endowment at **Age 96 plan**. It is not a rider. The insured does not have to apply or pay an extra premium for the provision.

The claim may be filed as soon as the insured is totally and permanently disabled. There is no waiting period. There is no limitation as to **age**, occupation or travel.

b. TPD is any impairment of mind or body which continuously renders it impossible for the insured 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 insured.

c. Upon due proof of total permanent disability of the insured while his or her USGLI insurance is in force, including reduced paid-up and extended term insurance, the insured will receive monthly installments at the rate of \$5.75 per \$1,000 of insurance. The amount of insurance on which the monthly installment is computed is face amount of insurance less any indebtedness on the policy. Payments **are** guaranteed for 240 months and will continue as long as the insured remains totally and permanently disabled.

d. When an **award** of TPD is granted, the insurance matures and payment of premiums is waived as long as the insured remains totally and permanently disabled.

e. Without prejudice to any other cause of disability, 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 loss of hearing of both ears, or the organic loss of speech, or becoming permanently helpless or permanently bedridden, shall be deemed to be total permanent disability under USGLI policies issued prior to December 15, 1936. Organic loss of speech means the loss of the ability to express oneself, both by voice and whisper, through the normal organs of speech if such loss is caused by organic changes in such organs. When such loss exists, the fact that some speech can be produced through the

use of an artificial appliance or other organs of the body will be disregarded. An award of TPD on these causes of disability will be allowed on the date **such** disability occurred and such award will be deemed to be statutory. The date the due proof of total permanent disability is furnished is not a factor in determining the effective date of a statutory award.

f. Any premiums paid after receipt of due proof of claim and within the 6-month period will be refunded without interest.

29.02 REQUIREMENTS TO ESTABLISH AND CONTINUE AWARD

a. The insured or any interested person acting for the insured may submit a claim and furnish proof that the insured is totally and permanently disabled. However, if the insured is mentally incompetent, a fiduciary must be appointed to receive the benefits for the insured. The date of receipt of claim is the earliest possible date of due proof of claim. The benefits may relate back to a date not exceeding **6** months prior to receipt of due proof of total permanent disability. Statutory awards are not subject to the 6-month limitation.

b. Notwithstanding that proof of total permanent disability has been accepted as satisfactory, the insured shall, at any time on demand, furnish proof satisfactory to the VA of the continuance of such total permanent disability. If the insured fails to furnish such proof, payment of monthly benefits shall cease, the insurance will be raterated, and premiums falling due shall be payable in conformity with the policy.

c. When total and permanent disability has existed continuously for 20 years, the benefits will not be terminated thereafter except upon a showing that such claim was based on fraud. The insured will not be requested to furnish proof of total permanent disability thereafter.

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29.03 APPLICATION FOR BENEFITS

a. An application must be submitted with proof of total permanent disability to receive TPD benefits. The insurance, including Reduced Paid-Up **and** Extended Term, must be in force when the total permanent disability occurs. The application and due proof must be submitted while the insurance is in force or within **6** months of the date the insurance terminated.

b. An insured [] applying for TPD benefits should use VA Form 29-357, Claim for Disability Insurance Benefits.

c. [(Deleted.)]

d. An informal application with proof of total permanent disability may be accepted.

29.04 INDEBTEDNESS ON DATE OF AWARD

a. When there is an outstanding indebtedness on the policy (loan, lien, etc.) on the date the award is granted, the monthly installment payable will be reduced to an amount that the indebtedness will be liquidated after 240 monthly installments have been paid.

b. After 240 monthly installments have been paid to the insured, continuing installments will be increased to the amount of payment the insured would have received had there been no indebtedness on the date of the **award**.

29.05 ABEYANCE CASES

a. When an award for TPD is granted, **the** insured may ask the **VA** to hold the monthly installments in abeyance. The premiums on the insurance will be waived and the installments will be accumulated by the **VA as a** credit for the insured. The insured is notified that interest is not paid on the accumulated installments.

b. If TPD and TDIP benefits **are** payable on the same policy the claimant may have the monthly installments on the TPD held in abeyance, but the monthly installments on the TDIP must be accepted.

29.06 TERMINATION OF TPD BY RECOVERY

a. Premium-Paying Policy at Date of Award

(1) When the TPD award is terminated, the rerated amount of insurance must be determined and, if needed, the amount of the premium for the rerated insurance. The premium is reduced in proportion to the reduced amount of insurance. The rerated amount of insurance is the commuted value of the unpaid guaranteed installments (240 minus the number of installments paid) based on the full face amount of insurance. If there was policy indebtedness that reduced the amount of the monthly installment, the pro rata amount of indebtedness must be established on the insurance. If the indebtedness was not of sufficient amount to reduce the monthly installment, the entire amount of indebtedness must be carried forward with interest being charged through the duration of the award. If premiums are due on the date of recovery, the insured must pay them or the insurance **will** lapse. The rerated amount of insurance less any indebtedness is the amount payable to **the** beneficiary upon the death of the insured.

(2) If the plan of insurance is 20-Payment Life or 30-Payment Life and **the** premium-paying period of the policy was completed while the award was in effect, the rerated amount of insurance will be paid-up. If the plan is an endowment and the date the policy would have matured occurred while **the** award was in effect, the rerated amount of insurance is paid to the insured as a matured endowment.

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(3) If the monthly **installments** were held in abeyance they will be paid to the **insured in a lump sum without interest**.

(4) On a 5-Year Level Premium Term Policy

(a) If the effective date of the **award and** the date of recovery occur in the same 5-year term period, the insured may continue the rerated amount of insurance as term insurance for the balance of the term period **and** may renew the **rerated** amount of insurance for subsequent term periods. He may also convert the rerated amount of term insurance to any of the available permanent plans, but he may not exchange it for the Special Endowment at **Age 96 plan**.

(b) If recovery occurs after the expiration of **any** term period the **rerated** amount of insurance may be converted to any of the available permanent plans of insurance except the Special Endowment at **Age 96** plan. The permanent plan will be issued at the current **age** of the insured. Also the rerated amount of insurance may be renewed for a sixth, seventh, eighth or subsequent term period, depending upon the number of 5-year term periods which have elapsed since the insurance **was** originally issued. Upon application for renewal **and** payment of premiums at the rate required for the age of the insured on the policy anniversary **renewal** date for the current 5-year term period, **a** certificate of renewal is issued effective on the policy anniversary renewal date with a dictated letter explaining the amount of rerated insurance and the corresponding premium.

(5) The rule on the issue **and** conversion of insurance that policies must be in multiples of \$500 **and** not less than \$1,000 does not apply to **rerated** insurance.

(6) The insured is notified by dictated letter of the face amount **and** premium of the rerated insurance.

(7) The due **date** of the first premium after recovery is the first premium due date following the last month **for** which "TPD benefits were paid. The insurance is not in force until the first premium is paid.

(8) The rerated amount of insurance shall not lapse upon termination of disability until 31 days from the due date of the first premium payable; or until 31 days from date of receipt of notice at the insured's last address of **record** of the amount and due date of the first premium payable, whichever is the later date.

(9) The notice of termination of TPD benefits together with the amount of rerated insurance **and** the amount **and** due date of the first premium payable is sent to the insured's last known address by registered mail or by certified mail.

b. *Reduced Paid-Up Policy at Date of Award*

(1) The rerated amount of reduced paid-up insurance is determined. If there was policy indebtedness that reduced the monthly installment, the pro rata amount of indebtedness is established on the reduced amount of insurance. If the indebtedness was not of sufficient amount to reduce the monthly installment, the entire amount of indebtedness must be earned **forward** with interest being charged through the duration of the award.

(2) The rerated amount of reduced paid-up may not be reinstated **nor** changed in plan.

c. *Extended Term Policy at Date of Award*

(1) If the award is terminated before the expiration date of the extended term insurance the rerated amount of insurance becomes **the** amount of extended term insurance in force. This extended **term insurance** will continue in force until the expiration date. The rerated insurance may be reinstated to premium pay status.

(2) If the **award** is terminated after the expiration date of the extended term insurance there is **no** insurance in force unless the rerated amount of insurance is reinstated.

(3) If Pure Endowment is involved, the amount of the Pure Endowment to be revived or paid to the insured must be adjusted.

(4) The insured is notified by dictated letter of the **face** amount of the rerated insurance, the cost of reinstatement, and the premium payable if the rerated insurance is reinstated.

29.07 TERMINATION OF TPD BY DEATH

a. If less than 240 installments have been paid to the insured, the beneficiary may receive the remaining **unpaid guaranteed** installments in the same monthly amount that was paid to the insured or if the beneficiary desires, the commuted value of the remaining unpaid guaranteed installments may be paid under one of the options used for death claims. The beneficiary may not select option **I** unless the insured had designated that option. If the monthly installments on the TPD **award** were held in abeyance they will be paid to the beneficiary in **a** lump sum, without interest. If no beneficiary survives the insured the commuted value of the unpaid **guaranteed** installments plus any payments held in abeyance will be paid to the estate of the insured, if there be no escheat.

b. If 240 or more installments were paid to the insured prior to his death there **are no** insurance benefits payable to the beneficiary.

29.08 SUBSEQUENT AWARDS

a. Normally on subsequent awards of TPD the amount of monthly benefits will be the same as those paid originally unless the insured has voluntarily requested a further reduction in the amount of rerated insurance. The number of guaranteed installments on any subsequent **award** is 240 minus the number of installments **paid** under previous **awards**.

b. However, the insured may elect **a** monthly installment based on the rerated face amount of insurance under **a** second award instead of continuing the monthly installment received under the first **award**. Such reduced payment will be guaranteed for 240 months **and** will continue as long as the insured is totally and permanently disabled. Upon recovery from **this** type of **award**, the insurance will be treated as though it was an original award. The rerated amount of insurance is determined by multiplying the amount of monthly installment on the second **award** by the 3^1A percent discount factor for the number of unpaid guaranteed installments (240 minus number paid).

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CHAPTER 30. RECONSTRUCTION OF RECORDS (NSLI AND USGLI)

30.01 GENERAL

a. Authority to reconstruct missing insurance folders will be received from the [Chief or Assistant Chief, Insurance Division after thorough searches have failed to locate the insurance records.

b. Since the Actuarial Detail Policy Record File has been disposed of, the office of the Chief Actuary will not be able to furnish information to reconstruct records.

130.02 REQUIREMENTS FOR RECONSTRUCTION

a. Insurance folders will not be reconstructed when the contract is lapsed and no insurance protection is being afforded.

b. Insurance folders will be reconstructed if protection is being afforded by extended term insurance or when an application for reinstatement is received. The folder will be stamped, on the flap, to indicate it is a reconstructed record.

30.03 BENEFICIARY AND OPTIONAL SETTLEMENT

a. When the RPO contains a beneficiary reel number, a photocopy of the designation will be obtained from the security film and filed in the reconstructed folder.

b. If there is no beneficiary reel number on the RPO, ask the insured to furnish a current designation.

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[CHAPTER 31 - DISABILITY BENEFITS ON NATIONAL SERVICE LIFE INSURANCE

SUBCHAPTER I. DEFINITION OF DISABILITIES

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, or competent, or qualified mentally and physically. The occasion, source, or cause of the insured's illness 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.

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 audiometric examination in a VA authorized audiology clinic.

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 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 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 himself into the insured's shoes. To say that one would not consider himself totally disabled under the same circumstances is merely to beg the question unless one has first

satisfied himself that, except for the insured's impairment he 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? This latter reference to total and permanent disability applies to gratuitous insurance under section 602(c)(3)) of the National Service Life Insurance Act of 1940 as amended.

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-man 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, particular consideration must be given to the many facts peculiar to each case, such as age, type of work the individual is trained for, his mental capacity, his mental attitude, and his educational background.

31.05 HOSPITALIZATION

Based on the fact that an individual cannot work and be treated as a bed patient 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 has suffered is no longer active, if it is prudent and sound medically for him to remain in convalescence for a further period to recoup his 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 oftentimes 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 REMISSION

Many diseases, including schizophrenia, manic-depressive psychosis, multiple sclerosis, and Hodgkin's disease, are prone to periods of remission. In all such instances the insured should not be considered as recovered following a period of active symptoms unless it is found that the remission is definite and complete. Where there is a period of remission 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 the remission. If it was so brief as

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10 raise a doubt as to its being a true remission 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 remission 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 INDUSTRIAL OUTCASTS

a. It is well established that individuals suffering from such diseases as epilepsy, leprosy and in some instances mental diseases are oftentimes considered as industrial outcasts. In addition to the fact that the knowledge of one's having such a disease reduces his chance of employment, many States prohibit individuals suffering from such diseases from being employed in certain types of occupations. These factors are not in themselves of sufficient weight to support a finding of total disability, but they must be given serious consideration in cases where other pertinent factors are not sufficiently persuasive for an affirmative finding in this connection.

b. There may be instances where an individual, although no longer suffering from physical disability, has sustained such extensive facial or cosmetic damages that his appearance is horribly repugnant in the sight of others. If such impairment renders an insured unemployable, he is totally disabled for insurance purposes.

31.09 AGE

Old age is important as a 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 in man. Because of the principle of making total disability findings on the basis of individual impairment, age is given weight in this connection only when accompanied by these normal body changes; and, because these characteristic body changes vary with age in different individuals, we must consider the debilitating effect of age upon the particular individual concerned and not upon the average man. Accordingly, retirement, irrespective of the category of employment involved, is not persuasive in determining whether one has become totally disabled. Likewise, the attitude of employers toward aged employees is not a factor for consideration. The determination must be based on the degree of impairment of mind and body due to disease or injury and the degenerative effects of age. These must be evaluated in the light of the vocational experience of the individual concerned. However, while the mild, moderate, moderately severe or severe 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 old employee than for a young one.

31.10 EXTENT AND NATURE OF WORK

Total disability as defined above does not indemnify the insured for loss of his ability to perform a particular occupation, but rather against loss of the capacity 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. If there are occupations which one is able to perform in his own or other professions for which his education, experience, and background would fit him he would not necessarily be considered totally disabled. However, in the face of facts demonstrating his incapacity to perform his previous or similar occupations, mere speculation as to what work he 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 are to be construed with regard to the particular work or position in which the insured has been customarily employed. It is not necessary

`that' he work the maximum number of hours or receive the maximum rate of pay for the job. If he 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 attempt in this connection is more persuasive of continuing disability than is a negative work record.

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.

31.13 ABILITY TO PERFORM COMPETITIVE EMPLOYMENT

a. An insured's capacity to perform continuously any substantially gainful work is to be judged under the conditions usually prevailing in the employment market; i.e., it must be determined whether the insured is able to perform in competition with others. Working under sheltered conditions does not meet the test in this connection. For instances, if the insured requires a considerably higher degree of supervision than his fellow workers, or if there is always someone present to fill in for him when he doesn't have the urge to carry on his duties, it may not be said that he is engaged continuously in substantially gainful employment. However, the question of working under sheltered conditions is one of fact. Such question can be resolved only 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 physical or mental health by so doing. In such cases, the insured is considered to be totally disabled despite the work record, because he is working to the detriment of his health. The test to be used in such cases is whether the insured has the ability to work without serious peril to his life or health, or without the risk of substantially aggravating the ailment with which he 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 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 detriment.

31.14 MEMBER EMPLOYEE OF VA DOMICILIARY

A member employee is a person who is a resident of a VA Domiciliary who can perform some degree of work under close supervision as a form of rehabilitation therapy, not in competition with able bodied persons, and who receives a nominal salary for his services. This nominal remuneration is interpreted to mean a token grant of money in the nature of a gratuity or an award payable by the 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. Payments for incentive therapy programs are not intended as a consideration for the services rendered but rather as an inducement to selected patients and members to enter into activities which will assist them in regaining self-reliance and aid in their return to normal life. Such employment is to be disregarded in determining the total disability of the insured.

31.15 SELF-EMPLOYMENT

Where the insured is engaged in the operation of his own business, care must be taken in determining whether the operation is in fact substantially gainful for purposes of granting total disability insurance benefits. In such instances the total amount of income earned is an unreliable guide with respect to the insured's capacity for

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work. Accordingly, any income earned in such cases from invested capital must be distinguished from that which results from personal services rendered. 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.

SUBCHAPTER 2. DISABILITY WAIVER OF PREMIUMS (NSLI) 31.16 REQUIREMENTS

Written application by the insured or a person acting in his behalf with proof of total disability of 6 or more consecutive months, except in statutory cases, which commenced:

a. On or subsequent to the effective date of insurance or date of application, whichever is later, except in the case of insurance issued under 38 U.S.C. 704(d), 722, or permanent plans of insurance issued or reinstated under 38 U.S.C. 781.

b. While the insurance was in force on a premium-paying basis.

c. Prior to the insured's 65th birthday; provided that if the disability commenced on or after the insured's 60th birthday, no premiums which became due prior to January 1, 1965, will be waived. (Prior to January 1, 1965, a waiver could be granted only if total disability began before the insured's 60th birthday.)

d. In the event of death of the insured without filing application for waiver, such application may be filed by the beneficiary, with evidence of the insured's right to waiver, within 1 year after death of insured; or, if the beneficiary is insane 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.

e. Public Law 86-497 approved June 8, 1960, amended 38 U.S.C. 712 by adding subsection (d). Upon proper application, this section grants retroactive premium waiver to insureds who become totally disabled between the date of their application for NSLI and the subsequent effective date. The insured must have become totally disabled in line of duty between October 8, 1940, and July 31, 1946, inclusive, or June 27, 1950, and April 30, 1951, inclusive. He must have remained continuously so totally disabled to the date of death or June 8, 1960, whichever is the earlier. Application for waiver under 38 U.S.C. 712(d) must be filed by the insured within 2 years after June 8, 1960. If insured be insane within such 2 year period, application may be filed within 2 years after removal of such disability, or if the insane insured shall die before removal of the disability, application may be filed by the beneficiary within 2 years after the insured's death. If the insured is insane, we will accept a claim for waiver of premiums from any one acting in his behalf. Where the insured died prior to June 8, 1960, the beneficiary may file claim for premium waiver within 2 years after that date. If the beneficiary be insane or a minor within such period, application may be filed within 2 years after the removal of the legal disability.

f. When premiums are waived due to total disability on J, JR and JS policies, the administrative cost is waived also and will be included in any refund of premiums. On a JS policy with a flat-extra premium, the flat-extra premium is also waived. When accounting action is taken for premiums waived, the administrative cost and the flat-extra premium will be included.

[g. When an insured purchased a J, JR or JS policy and was totally disabled on the effective date, a waiver of premiums may not be granted as long as that total disability continues. Where the disability was not considered total in degree on the effective date but, at a later date, is considered total disability, a waiver of premiums may be granted. Care must be exercised to avoid granting waiver of premiums to insureds who were totally disabled at the time of application for insurance

31 .17 INSURANCE DEEMED IN FORCE (PREMIUM-PAYING BASIS)

a. The term premium-paying basis, as used in paragraph 31 .16b, will not be applied to any period prior to the date of application for insurance or the effective date of the contract, whichever is later, except insurance issued under 38 U.S.C. 704(d), 722, or permanent plans issued or reinstated under 38 U.S.C. 781.

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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. Insurance of aviation students and aviation cadets, for which premiums were paid by the Government because of participation in regular and frequent aerial flights, will be deemed to be in force on a premium-paying basis. Similarly, aviation students and cadets commissioned as second lieutenants or flight officers will be so covered when required to participate in regular and frequent aerial flights, even though premium information is not available.

d. Where deduction of premiums was discontinued because the insured was discharged to accept commission, absent without leave, or sentenced by court-martial, and he was later restored to active duty or required to engage in combat and became totally disabled without restoration of allotment, such disability will be deemed to have commenced while the insurance was in force on a premium-paying basis so long as he remained in active service prior to August -1, 1946, and became totally disabled prior to that date.

e. 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.

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. 784. 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. The filing of a claim is a prerequisite to obtaining benefits thereunder. A claim after death for insurance benefits is a claim for waiver of premiums, if necessary, to mature the insurance.

31.19 DEFINITION OF CLAIM

a. Any letter or any other writing from the insured or any person on his behalf which indicates an intent or

desire to file claim for disability insurance benefits under NSLI will be accepted as a claim therefor; and any such writing will be so considered in resolving question as to the timeliness of filing claim. However, the claimant may be required to furnish a formal claim for the pertinent information needed.

b. If the insured prepared or caused to be prepared, or adopted papers for the application for disability insurance benefits, and sent in, or authorized the sending thereof, to the VA, it constitutes his written application as required by the statute and this is true, irrespective of whether he physically-signed it at the bottom thereof or elsewhere. If there is doubt as to the insured's authorization of the paper, appropriate inquiry should be made of him to learn whether he did authorize the action.

c. A mere inquiry as to the status of insurance will not be considered as a claim for disability insurance benefits. In instances where claim is filed by someone on behalf of the insured, and it appears that the latter may be incompetent or otherwise incapable of filing on his own behalf, such claim will be accepted for purpose of establishing a filing date in the absence of evidence showing that such action could be detrimental to the insured's best interests. VA Form 29-178, Request for Insurance Status-Government Life Insurance, or VA Form 27-4358, Request by Chief Attorney for Insurance Information, may be considered as an informal claim for disability insurance benefits. It must be apparent that the form is for the purpose of developing information as to whether a claim for disability insurance benefits is of record, with intent to file such claim if one is not of record. Claims for compensation, pension, or educational benefits are not to be considered claims for disability insurance benefits.

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d. if the insured dies without filing claim for waiver, such claim may be filed by the beneficiary within 1 year after the death of the insured. If the beneficiary be insane or a minor, claim may be filed within 1 year after removal of legal disability.

e. if there is more than one insurance contract in effect at the time claim for total or total and permanent disability insurance benefits is filed, such claim will be valid for all insurance contracts under which it would be to the insured's advantage to have filed claim even though he has claimed only under one contract. For example, if the insured has a V contract and an RH contract and only shows the V number as being claimed against and obviously it would be to his advantage to receive waiver under the RH contract, consideration will be given to his entitlement under the RH contract at the time the case is adjudicated. Of course, caution should be exercised in those cases where permanent K policies are paid up. If in doubt, the wishes of the insured should be ascertained prior to final adjudication of the claim.

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31.20 TIMELINESS OF FILING CLAIM

a. When a claim is filed subsequent to August 1, 1947, waiver of premiums becoming due more than 1 year prior to the receipt of claim there for in the 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.

b. Similarly, with timely applications filed by beneficiaries after the death of an insured, waiver of premiums becoming due more than 1 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 with reasonable prudence; beleaguerment; besiegement and involuntary isolation; 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 to be regarded as 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 deadly insidious disease until the terminal phase became apparent, 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 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 the 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 1 year 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 problem with respect to 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.

31.21 DEFINITION OF EVIDENCE

~. Evidence is any species of proof or probative matter which is legally presented at a trial of an issue through

the medium of witnesses, records, documents, concrete objects, for the purpose of inducing belief in the minds of the court or jury as to their contention. It is that which tends to prove or disprove any matter in question, or to influence the belief respecting it. Belief is produced by the consideration of something which is presented to the mind. The matter thus presented, in whatever shape it may come, and through whatever material organ it is derived, is evidence. Evidence is that which demonstrates or makes clear, or ascertains the truth or the very fact or point in issue, either on the one side or on the other.

b. Evidence is to be distinguished from its synonyms, proof and testimony. Proof is the logically sufficient reason for assenting to the truth of a proposition advanced. Testimony is a still more restricted form and it means only such evidence as is delivered by a witness on a trial of a cause, either orally or in the form of affidavits or depositions. Belief is a subjective condition resulting from proof. It is conviction of the truth of a proposition existing in the mind and induced by persuasion, proof or argument. There are many different types of evidence.

31.22 EVIDENCE IN SUPPORT OF CLAIM

a. Evidence to substantiate all aspects of the claim must be filed before any final action thereon may be taken. Such evidence will consist not only of sufficiently detailed medical and industrial matter, but will include also such material as will establish, when necessary, that the insured's failure to file a timely claim was in fact due to circumstances beyond his or her control. Similarly, when the facts of a particular case raise a question as to the possibility of fraud in obtaining or reinstating insurance, all obtainable evidence necessary to resolve such question must be of record in the VA before decision is rendered on the contracts in question. If evidence pertinent

to the claim suggests a possibility of incompetency, such further development as is necessary to make a determination in this connection must be undertaken. Such independent determination will not be necessary, however, if the insured has been adjudged incompetent by a court or has been rated in this-connection by a regional office, and the court finding or regional office rating is not rebutted by later evidence indicating a changed condition. When the disability alleged by the claimant seems to involve two or more members or otherwise indicates possible entitlement under 38 U.S.C. 714, all evidence bearing upon such possible entitlement must be recorded before final action on the claim is taken. Such evidence must include a complete report of the insured's industrial status, embracing data to indicate the manner in which he or she accomplishes his or her work (if any) notwithstanding his or her impaired condition. In all instances, 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. In like manner, the industrial evidence should include the exact dates of employment insofar as possible; the nature of the work involved must appear in evidence; the amount of time lost from work on account of illness or injury must be apparent; the insured's reason for terminating his or her employment must be shown; and all other facts necessary in determining the scope of employment and the duties and responsibilities of the insured must be presented. The educational and vocational background of the claimant should be ascertained.

b. Lay affidavits may be submitted when private medical statements or employer statements are not available or to supplement such statements. The weight to be given lay affidavits 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 best evidence. The best evidence as to nature and extent of disability is the official clinical records, VA medical reports, or statements of reputable private physicians, and the best evidence of employment is the official report of the employer. Lay affidavits in conflict with such records cannot as a general rule be accorded much weight. On the other hand, if such records are not obtainable, lay affidavits should be considered for what they are worth. There may be cases in which the insured, because of religious beliefs, personal idiosyncrasies, mental impairments, etc., will refuse to undergo medical treatment. Therefore, lay affidavits may be the only evidence obtainable.

31.23 PERIODS OF TOTAL DISABILITY

Six-Month Disability-Entitlement to NSLI benefits is predicated, among other things, upon the existence of

total disability for a minimum period of 6 consecutive months which must be established in fact by the evidence of record. The mere passage of time is not enough. Accordingly, the evidence must show that the insured, from some definite date, remained thereafter continuously totally disabled for a period of 6 or more months. Neither the date on which the insured's disability first became total in degree, nor the continuation of the totally disabling condition for a period of 6 months may be presumed.

NOTE: There is one exception: [The 6-month rule does not apply to newly issued RH policies 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 does not continue beyond the date of adjudication of claim, but has terminated 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 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.

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31.25 MULTIPLE PERIODS OF TOTAL DISABILITY

If all the evidence reflects two or more periods of total disability, but 6 months have not elapsed since beginning date of the last period, the claim will be accepted for all periods, but action with respect to the last period will be withheld pending the expiration of the necessary 6 months. Discretion may be exercised as to omission of periods of total disability so short as to be negligible.

31.26 BEGINNING DATES OF AWARDS

The general rule is that in instances where failure to file timely claim does not limit the award, the effective date of waiver of premiums will be the first premium due date on or after the beginning of total disability. In instances where failure to file timely claim partially limits the award, the effective date of waiver of premiums will be computed by first determining the date which was 1 year prior to that on which claim was filed, and then computing a period of time prior thereto equivalent to that during which the insured was prevented from filing claim because of circumstances beyond his control. The premium due date on or after the beginning date of the period thus computed will be the effective date of waiver. In instances where no circumstances beyond the insured's control which prevented him from filing timely claim can be found, the award will commence on the premium due date on or after the date which was 1 year prior to that on which claim was filed.

a. 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.

b. Waiver of premiums on permanent plans of insurance issued or reinstated under 38 U.S.C. 781 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.

c. Waiver of premiums on insurance issued under 38 U.S.C. 722(a) may be granted pursuant to the provisions of 38 U.S.C. 712 and such waiver may not be denied on the ground 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. 712, total disability must be found to exist for 6 or more consecutive months after 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.

d. Where RH insurance is issued with an effective date subsequent to the insured's 65th birthday, waiver of premiums under 38 U.S.C. 712 is in order commencing with the effective date so long as his total disability

commenced prior to his 65th birthday and has continued for 6 or more consecutive months.

e. Where a totally disabled insured drops RS insurance to procure RH insurance, his rights to waiver of premiums on the RH insurance will be determined as follows:

If his total disability is service-connected and has continued for 6 or more months, he will be immediately entitled to waiver under the RH insurance. In such a case, continuance of total disability for 6 or more months

from the time he is granted ~e RH insurance is not required. Two types of cases will fall in this category:

- (1) Where waiver is in effect on RH insurance at the time the RH insurance is granted.
- (2) Where waiver was denied under the RS insurance because total disability commenced prior to the date of application or the date the RS insurance became effective, whichever is later.

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. Where a review decision is rendered terminating a continuing award' on the basis of evidence showing a change in condition or in industrial status, waiver will be discontinued as of the ending date of the premium month in which the finding of recovery from total disability is made.

c. The fixing of the ending date of a limited period of waiver to accord with the ending of the period of total disability, as in subparagraph a above, is permissible notwithstanding that a continuing award of waiver previously granted under another contract in the same case may have been terminated, in accordance with subparagraph b above, as of a date subsequent to the insurance month in which total disability ceased. An exception to this rule will exist where there is specific claim under two contracts and the insured has reason to believe that he would be entitled to the waiver of both contracts but where action on one contract was delayed because the insurance records pertaining to such contract were not available. When necessary, a supplemental decision will be written to show the exact ending date of total disability.

d. Where NSLI was made effective on the 31st day of a month, the last day of each succeeding month is the premium due date for such month, regardless of whether it be a 28-, 29-, 30-, or 31 day 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 will be the day preceding the last day of the succeeding month.

e. Where waiver of premiums is discontinued on insurance issued under 38 U.S.C. 722(a) because of severance of service-connection of a total disability which preexisted the issuance of the policy, the waiver should be discontinued as of the current effective date, and the insured given the opportunity to pay future premiums as set forth in VA Regulation 3442(A).

31.28 FAILURE TO COOPERATE OR TO PROSECUTE NEW CLAIMS

Any competent claimant who, after having been sent two successive requests for necessary evidence at 30-day intervals, has failed without reasonable explanation to comply with the requests, will after 30 days following second request be considered as having failed to prosecute his claim. Similarly, a claimant, who refuses after two such requests to appear for an examination which is indispensable to a determination as to the existence or continuation of total disability, will be considered as having failed to prosecute his claim. In such instances, if

there is no evidence of total disability of record, the claim will be denied. If there is evidence of total disability, a decision will be rendered relative to such period as is reflected by the evidence. If the original request for evidence or for the insured to appear for examination 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 correct address will be sufficient basis for denying the claim on grounds of failure to prosecute. 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

The rules stated above with respect to an insured's failure to prosecute his claim for disability insurance benefits, apply generally to the failure of an insured to cooperate with the VA relative to requests for evidence or for appearance for examination 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. The only basis upon which a continuing award may be terminated for failure to cooperate is an insured's failure, in the absence of incompetency or extenuating circumstances, to submit to necessary medical examination. In all such instances, irrespective of an insured's failure thus to cooperate, termination of an award, if at all possible, should be based on an assessment of current medical and employment evidence. Where,

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subsequent to the termination of an award because of an insured's failure to cooperate, there is received medical and/or employment evidence to confirm the termination of benefits, a supplemental decision will be prepared changing the basis of the action from failure to cooperate to a termination on the merits of the case. Such change of basis for termination does not enlarge the appeal period allowed the claimant.

31.30 SUPPLEMENTAL ACTIONS AND REVIEWS

Cases wherein action adverse to the claimant's or Government's interests have been taken will be reconsidered on the basis of new and material evidence at any time such evidence is received. When received within the period during which an appeal may be filed, all action appropriate to a supplemental decision will be taken. All rights of the claimant with respect to the filing of a claim for disability benefits are reserved after the filing of new and material evidence. However, such filing does not extend the period within which appeal may be filed. When such evidence is received subsequent to the appeal period, it will be treated as an informal new claim; and the question of timeliness of filing can be involved in such instance. In any case in which clear and unmistakable error appears in a decision, review will be made at any time, and corrective action taken by supplemental decision.

31.31 ROUTINE REVIEWS

a. Except in cases where statutory total disability is involved, a finding of recovery from total disability will be made on the basis of any competent evidence which establishes that the insured has in fact recovered the ability to continuously follow substantially gainful employment. Such evidence may be medical in nature, or it may relate to employment. It may pertain to both. If there is current evidence showing continuous and substantially gainful employment, the award may generally be terminated on the basis of such evidence, except where there is of record evidence indicating a possibility of statutory disability or the nature of the disability is such as would indicate a possibility of the employment being detrimental to the insured's health or under sheltered conditions. In these latter instances further evidence will be obtained to resolve the question involved. If there is a record of unemployment or of employment which is not continuous or substantially gainful, the waiver will be continued only upon the presence of evidence showing that the physical or mental condition of the insured has not improved since the last review of the case to a point where he is able to carry on continuously in substantially gainful employment. In weighing the evidence every reasonable doubt should be resolved in favor of the insured. Of course, 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. If there is doubt as to whether the medical evidence of record is sufficient for current evaluation, advice from the Medical Consultant should be sought.

b. If the insured is receiving vocational rehabilitation under the provisions of 38 U.S.C. 1502, his 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 entitlement to continuation of waiver of premiums will be determined on the basis of the facts of his individual case.

31.32 TWENTY-YEAR CASES (38 U.S.C. 110)

Twenty-Year Cases-Waiver of premiums in effect on the basis of findings of total disability which have been continuously in force for 20 or more years may not, in accordance with 38 U.S.C. 110, be terminated except upon evidence showing that such finding resulted from the perpetration of fraud. The 20-year period of disability will commence on such date as is determined by the appropriate Adjudication activity or Federal court, whichever is applicable. 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.

SUBCHAPTER 3. TOTAL DISABILITY INCOME BENEFITS

31.33 REQUIREMENTS

a. Written application by the insured accompanied by proof of the existence of total disability for 6 or more consecutive months which commenced before; the anniversary of the policy nearest the insured's 60th birthday in instances where the disability provision was issued pursuant to the NSLI Act of 1940, as amended August 1, 1946; the insured's 60th birthday in instances where such provision was issued pursuant to Public Law 85-678 or 38 U.S.C. 715 prior to January 1, 1965; and the insured's 65th birthday in instances where the provision was issued pursuant to 38 U.S.C. 715, as amended by Public Law 88-355, effective January 1, 1965.

b. The total disability referred to in subparagraph a above must also have commenced after the date the income provisory was applied for, or the effective date of same, whichever was later.

c. The provision must have been in force at time of commencement of total disability.

d. The required proof must be filed while the provision is in force, or within 1 year after the provision has ceased to be effective.

31.34 DEFINITION OF REQUIRED PROOF

Required proof is a showing by acceptable evidence, medical or otherwise, that a condition of total disability has existed for a period of at least 6 consecutive months. A mere allegation or statement of such conditions, if unverified and unsupported by substantial evidence, will not constitute proof.

31.35 DATE OF RECEIPT OF REQUIRED PROOF

a. The date of the required proof is the earliest date of receipt of such evidence in the VA. Required proof cannot be considered as received in any case prior to the date of receipt of claim for disability insurance benefits.

b. If a claim and required proof are filed more than 1 year after the rider has ceased to be in effect, the provisions of VA Regulation 3499(C) requiring that proof of total disability must be filed while this provision is in force or within 1 year after this provision has ceased to be in effect will generally be a bar to payment of rider benefits. However, if the total disability commenced while the policy and rider were in effect and a retroactive waiver of premiums is granted, such waiver continues the policy and TDIP in force so as to comply with the provisions of VA Regulation 3499(C) but such waiver does not remove the limitation based on the date of submission of required proof of total disability restricting the beginning date of monthly benefits to 6 months prior to receipt of required proof.

c. If the insured was prevented from filing a claim at an earlier date due to his mental incompetency and provided a claim is filed during the period of mental incompetency or within 6 months thereafter, the date of receipt of required proof will be determined on the same basis as though the claim had been filed at the time the insured first became mentally incapable of filing claim. If required proof was already of record at the time the insured first became unable to file claim, the payment of benefits may not relate back more than 6 months prior to the date he became unable to file claim. If required proof was not then of record, payment of benefits may not relate back more than 6 months prior to date of receipt of required proof. If the claim is not filed until more than 6 months after recovery from the mental incapacity, the failure to file claim at an earlier date will not be excused and the strict limitation of the required proof rule will apply. Where required proof of continuous total disability for 6 or more months is contained in the records of a VA hospital or service hospital (or a nonservice hospital where the insured was admitted as a VA patient), required proof of total disability will be regarded as having been received as of the date the claim for disability insurance benefits was filed, provided such records show existence of the statutory requirement of total disability for a period of at least 6 months as of the date of the claim.

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d. In the event the insured dies without filing a claim, and circumstances beyond his control are found to have caused his/her failure to do so, the claim and required proof may be filed by the beneficiary within 1 year after the insured's death. In such cases, excluding those involving statutory disabilities as listed in paragraph 31.02, the monthly income payments may relate back to a date not exceeding 6 months prior to the insured's death.

e. The length of time during which the insured must have been incapable of timely filing claim so as to make the beneficiary's claim of monthly benefits acceptable is any determinable period of time immediately preceding his/her death, excluding the extreme hour of life or terminal episode.

31.36 COMMENCING DATE OF TDIP AWARDS

Disability income payments will be paid from the first day of the seventh consecutive month of continuous total disability; but excluding cases wherein statutory disabilities are involved or under paragraph 31.35d such

payments may not relate back to any date more than 6 months prior to receipt in the VA of the required proof.

Waiver of premiums on the income provision will be the same as on the basic policy (effective as of the first monthly premium due date on or after the beginning date of total disability; excepting where untimely filing is not excused).

31.37 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 applicable to findings of total disability for purposes of determining entitlement or termination of entitlement to waiver of premiums shall likewise be applicable to findings for determining entitlement or cessation of entitlement to 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 regardless of whether it is a 28-, 29-, 30-, or 31-day month.'

d. Where it is determined that the insured became totally disabled on a date prior to the effective date of issue or reinstatement of total disability income provision under 38 U.S.C. 781; further, that such disability has continued for 6 consecutive months; and the insured is otherwise entitled; payments will commence on the first monthly anniversary date of total disability following the date of issue or reinstatement, but in no event more than 6 months prior to receipt of required proof if statutory disability is not involved.

SUBCHAPTER 4. CLAIMS AFTER DEATH OF INSURED

31.38 CONDITIONS APPLICABLE

a. Determinations on questions of total disability in connection with awards of disability benefits, will not be rendered except upon the basis of a valid claim filed by or on behalf of the insured during his lifetime, or by the beneficiary, administrator of the estate, or next of kin, after death. A claim for death insurance benefits, will, however, if filed timely, be considered as a claim for waiver of premiums if such waiver is necessary to mature the insurance. Inasmuch as unpaid premiums are a lien against the proceeds of death benefits in instances where 38 U.S.C. 713 is involved, excepting statutory cases, no claim is necessary in such cases, excepting those instances where, in order to avoid the bar to payment of dependency and indemnity compensation, 38 U.S.C. 417, a specific request is filed by the beneficiary requesting a specific request is filed by the beneficiary requesting a determination as to entitlement under the provisions of 38 U.S.C. 724, which was in effect at time of insured's

death. In these instances VA Form 29-357c, Claim for Disability Insurance Benefits, will be used as a convenience by the beneficiary in making such request. The criteria applicable to findings of total disability herein before set forth and the provisions of paragraph 31 .38b will govern the adjudication of all such cases. Extra hazard determination will likewise be made.

(1) Claims by persons not entitled to insurance will be disallowed without decision.

(2) In other instances, the name and relationship of the claimant must be set out in decision in order to establish validity of the claim.

b. Where claim for waiver of premiums or claim for death insurance benefits which embraces a claim for waiver necessary to mature the insurance is made after the death of the insured, it is required that adequate proof of total disability of at least 6 months duration be of record or filed within 1 year of the date of insured's death. The date of the receipt of such proof will be fixed and shown in the decision in the case, unless the decision is made within 1 year of veteran's death. The time limit for filing such proof may under no circumstances be waived. However, obtaining confirmation after the 1 year, of evidence of record prior thereto, will not be considered as a breach of this rule. The question of whether such additional material is actually proof or merely confirmatory in nature must be settled in each individual case on the basis of the facts involved. Where the person entitled to the insurance is insane or a minor, claim for waiver with proof of entitlement may be filed within the 1-year period following removal of the legal disability.

c. 38 U.S.C. 713 cases-Whenever premiums may not be waived solely because of death of the insured occurring prior to the expiration of 6 months total disability, the insurance involved will be deemed to be in force at date of death. Adequate proof of the facts necessary to establish such entitlement must be of record or filed within 1 year of the date of veteran's death. If the person entitled to the insurance is insane or a minor, proof of such facts may be filed within the 1-year period following removal of the legal disability.

d. Insurance benefits under section 602(cX3) of the National Service Life Insurance Act of 1940, as amended-No rights, benefits, or privileges, except the privilege of designating or changing the beneficiary, will accrue under this section to any person during his lifetime; no policy or certificate of insurance is issued. Such insurance is effective from the date the serviceman applied for insurance and will be deemed to have been continued in force. until his death. A written determination as to entitlement under this section will be made, but only after death, and, no award, other than of death benefits will be made. There shall be deducted from the proceeds of such insurance the premiums payable thereon from the date of application to the date of incurrence of total and permanent disability in line of duty or to the date of death, if permanent and total disability was not incurred.

SUBCHAPTER 5. COMPETENCY

31.39 DECISIONS AS TO COMPETENCY

All decisions on claims for total disability insurance benefits where severe mental disability is involved will include a determination as to whether the insured is competent or incompetent.

a. Incompetency is a social and legal rather than a medical term and implies mental disorder resulting in inability to manage one's affairs and perform one's duties. The test of incompetency for the determination of legal responsibility or capacity differs from that by which incompetency is determined for medical purposes. The result is that various conditions which are medically recognized as insanity or psychotic are not considered as legal insanity which imputes irresponsibility and incapacity to perform certain acts. The nature and degree of insanity required to affect a person's civil capacity varies with the nature of the case, the general test being as to whether with respect to the matter in hand the person can act rationally, understanding the nature of his act and the natural consequence of it in affecting his rights, obligations and liabilities.

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b. Where a previous finding, based on evidence which remains current, has been made by another VA institution, which determination will be followed in the absence of clear error. Where current evidence is necessary, same will be obtained beneficiary rendition of decision.

SUBCHAPTER 6. FRAUD

31.40 STATUTORY PROVISIONS FOR INCONTESTABILITY

Title 38 U.S.C. 710 and 747 provide that ail contracts or policies of insurance heretofore or hereafter issued, reinstated, or converted shall be incontestable from the date of issue, reinstatement, or conversion except for fraud, nonpayment of premium, or on the ground that the applicant was not a member of the military or naval forces of the United States. The above sections refer to NSLI and USGLI; however, the same incontestability provision as above applies to War Risk Term Insurance effective as of April 6, 1917, as provided in section 307, World War Veterans Act of 1924, as amended July 3, 1930.

31 41 ELEMENTS OF FRAUD

- a. A false representation;
- b. In reference to a material fact;
- c. Made with knowledge of its falsity;
- d. With intent to deceive; and
- e. With action taken in reliance upon the representation.

31.42 THE GOVERNMENT'S ROLE

- a. The Government in asserting the defense of fraud must do more than establish that the policy was issued, reinstated or converted because of false representations. It. must establish that all of the above elements are present by clear and convincing evidence.
- b. A finding of fraud should be made only when the evidence is such that the Government in a suit on the policy or total disability income provision could, with reasonable expectation of success, assert the defense of fraud.

31.43 APPLICABLE CRITERIA

- a. Misrepresentation-Fraud consists in the misrepresentation of a material fact by one who, knowing the falsity of his statement, intends to induce the person with whom he is dealing to act in reliance thereon, if by so doing the second person suffers a detriment. Obviously, then the first question to answer in making the

determination as to the existence of fraud is whether there has been a misrepresentation. in addition to any obvious misrepresentation that appears from a review of the evidence, the conditions forming the basis for the claim must be considered. These conditions may be such that, considering the time when the application for insurance, reinstatement, or conversion was made, some manifestations of health impairment, subjective or objective could have been apparent before the application was filed. In cases where a definite date of onset of a disability is established, no problem is presented in this connection. Where such definite date is not established, doctor and claimant should be questioned as to treatment prior to application for reinstatement or conversion.

..

b. Material Fact Secondly to make an affirmative finding of fraud, it must be established that the misrepresentation previously referred to was of material fact; i.e., not of a matter of opinion as contrasted with actual 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 the insurance. In this connection, the withholding of information, under circumstances which call for a full disclosure of pertinent facts, constitutes misrepresentation. In other words, the applicant who is under a legal duty to make a full disclosure of facts relative to his condition of health, has misrepresented a material fact when he answers no to a question which, under the true facts, he should have answered yes. The test to apply here is to ask whether the application would have been accepted had the true facts been known.

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 application, or has failed to disclose certain material information relative to his health at such time, no fraud may be found where the circumstances disclose that the applicant was without knowledge of the falsity of his statement or of the true facts with respect to which he failed to make disclosure. The third question or answer therefore is whether the applicant, under all reasonable circumstances, had knowledge of the pertinent facts.

d. Intent-This fourth element of fraud is difficult to establish. To do so it must be clear that the applicant knew the VA needed the specific information requested on the form, and that he either furnished misleading information or withheld the truth knowing, or at least suspecting, that if the true information were brought out his application would have been denied. In this connection, attention must be accorded the fact that the average lay person is not acquainted with medical terminology. At the same time, full cognizance must be given the doctrine that a reasonably prudent person is presumed to intend the reasonable consequences which flow from his acts and words.

e. Detriment-This fifth element of fraud will usually present no problem in resolving the question. Insofar as the making of an affirmative finding in connection with the issuance or reinstatement of insurance, it invariably suffices that the application in question was accepted by the VA.

31.44 DOCTRINES OF NOTICE AND WAIVER

a. The VA is on notice with respect to all information the applicant furnished on his application and all pertinent data in the Insurance and Disability Insurance folders, or in the Insurance office when the claim is adjudicated. Likewise, everything in the claims folder is deemed to be in this same category if the insured furnished any indication that he has filed claim for compensation or pension benefits or medical treatment based

on disability. If any such information could have led to further explanation relative to a possible impairment of health and the VA failed to avail itself of such opportunity, its negligence in failing to have done so is deemed to be a contributory factor in the perpetration of what would otherwise be fraud. Under such circumstances the VA is barred from cancellation of the policy on grounds of fraud.

b. In instances where a case has been adjudicated and benefits awarded it would be improper thereafter to find fraud on the basis of evidence which was available at time of adjudication. Under such circumstances the VA is deemed to have waived its right to make a contest as to the validity of the contract. Adjudicative action as referred to here includes review actions as well as original adjudication. The application of this rule has its limitations. Actions by personnel in the Insurance Division other than those involved in the adjudication of insurance claims, which can result in a bar to a later fraud finding, are limited to actions where the issue involved embraces required determination as to the applicant's health as it affects his insurability.

31.45 APPLICATION OF PRINCIPLES OF EQUITY

It is well settled that the general principles of equity are applicable in regard to action by the United States to rescind a contract, so long as their application will not frustrate the purpose of its laws or thwart public policy. Of course, it neither frustrates the purpose of the insurance laws administered by the VA nor thwarts public

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policy to apply general principles of insurance law relative to rescission for fraud and waiver of rights in regard thereto to Government life insurance contracts. Certainly the VA is justified in the light of general principles of law referred to above in not canceling policies of insurance or TDIP riders in some categories of cases in which such action would clearly be inequitable. There is no statute, regulation, or principle of Law requiring that the VA assert a right of rescission in any case in which such action would appear inequitable in the light of all the facts and circumstances of the case.

31.46. SUBMISSION OF CASES FOR POSSIBLE PROSECUTION

a. Generally, in instances where contracts of insurance (including disability rider cases) have been canceled on account of fraud, the cases should be referred to the General Counsel for transmittal to the appropriate United States Attorney, under VA Regulation 5560, for possible prosecution.

b. exceptions to general rule

- (1) Cases in which the statute of limitations (5 years) has run since filing of fraudulent document.
- (2) Cases in which a veteran under severe physical handicap is involved.
abettor, unless several veterans are also involved.
- (3) Cases in which a doctor is involved as an aider or abettor, unless several veterans are involved.
- (4) Cases involving incompetent veterans.
- (5) Cases involving veterans with terminal illnesses.
- (6) Cases where the veteran himself has disclosed his fraudulent action.

SUBCHAPTER 7 EXTRA HAZARD OF MILITARY SERVICE

31.47 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.

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. When the insured recovers and is entitled to continue protection under the TDIP, there will be transferred to the NSLI fund a sum sufficient to set up the then required reserve on such total disability benefit.

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.

c. Applicable 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 exceptions 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

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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 military duties requires his 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 while performing duty through contact with persons

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suffering from the disease or when his 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 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 among nonwhite 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 and Nervous Conditions. In considering mental and nervous conditions consideration must be given to the history of mental or nervous trouble 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 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 abnormal mental state resulting from pressures of compulsions arising in or aggravated by the performance of duty in the military or naval service, and there are not apparent any other reasons. Generally, suicide following substantial periods of apparent remission should not be held due to the extra hazard of service.

(13) Considerations of Age and the elapse of Time. Insureds whose injury or disease was at one time held due to the extra hazard of service and who subsequently regained the ability to engage in substantially gainful employment present an unusual problem. Although when later in life death or disability occurs and the disease or injury held due to extra hazard may still be present as a contributing cause, great 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 principle cause of the present period of total disability.

(14) Disease or injury preexisting the issue of TDIP will not bar extra hazard determination. The language of the statute is clear and specific that the Government shall bear the cost of the benefits under the total disability income provision whenever such benefits become payable because the total disability of the insured resulted from disease or injury traceable to the extra hazard of the military or naval service. There is no restriction in the law or the legislative history which limits such liability to diseases or injuries which occur after the issuance of the total disability provision. Obviously there will be cases in which health conditions originating in earlier military or naval service are not manifest 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. There is nothing in the language of the statute or the legislative history which justifies a conclusion that the extra hazard provision would be rendered inapplicable, if a disease or injury, traceable to performance of duty, which was undiscovered, overlooked or considered minimal at the time of application, later caused total disability.

(1 5) A determination concerning the extra hazards of military or naval service will not be reversed except on the basis that such determination was clearly and unmistakably erroneous.]

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INSURANCE****SUBCHAPTER I. TOTAL PERMANENT DISABILITY****32.01 GENERAL**

This benefit is an integral part of all USGLI (United States Government Life Insurance) [plans except the special endowment at age 96.1 It is not a rider. It is included in policies on extended insurance and policies exchanged for (reduced paid-up insurance. It provides monthly income to the insured during total and permanent disability.

32.02 DEFINITION OF TOTAL PERMANENT DISABILITY

Any impairment of mind or body which continuously renders it impossible for the disabled 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 insured.

32.03 RETROSPECTIVE CONSIDERATION

In considering such cases in retrospect, it must be remembered that evidence must show that the insured was totally disabled before the Lapse of insurance and that at that time the evidence was sufficient to reasonably establish that such total disability would continue the rest of the insured's life. If the permanency of the total disability cannot reasonably be established before the lapse of the insurance, a finding that he was permanently disabled, regardless of events subsequent to lapse, cannot be sustained. The subsequent events may be such in point of time or circumstances as to constitute evidence of the conditions upon which the disability existed during the life of the policy. but they are of no importance unless they do constitute such evidence, because they do not of themselves condition the right of recovery under the policy, which must depend entirely upon the conditions which existed prior to the lapse of the insurance.

32.04 STATUTORY DISABILITIES

Contracts issued prior to December 15, 1936, provide benefits for anatomical and functional losses (permanent loss of the use of both feet, or both hands, or both eyes, or of one foot and one hand, or of one hand and one eye, or of one foot and one eye, or the loss of hearing of both ears, or the organic loss of speech, or becoming permanently helpless or permanently bedridden). The criteria concerning statutory disabilities as shown in paragraph 31.02 is applicable to USGLI policies issued prior to December 15, 1936.

32.05 COMMENCING DATE OF TOTAL PERMANENT DISABILITY BENEFITS

a. Generally, benefits commence with the date of total permanent disability upon receipt of claim and due proof of such disability while the insurance is in force. The insured shall be paid \$5.75 per thousand per month during such permanent disability.

b. Disability benefits may relate back to a date not exceeding 6 months prior to receipt of due proof of total permanent disability. Date of receipt of claim is the earliest possible date of due proof of claim. If the insured was prevented from filing a claim at an earlier date due to his mental incompetency, the date of receipt of due proof will be determined under the rule pertaining to required proof as set forth in paragraph 31.35. Due proof is not a factor where the total disability is due to a statutory total and permanent disability.

c. Insured may file claim as soon as he believes he is totally and permanently disabled. (No waiting period).

d. Upon approval of claim, the policy matures and the proceeds are paid in monthly installments to the insured.

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e. Total and permanent disability benefits continue as long as insured remains totally **bind** permanently disabled. Such payments reduce the face amount of insurance.

f. Proceeds of policy will be reduced by an indebtedness.

g. Installments are reduced in proportion which indebtedness bears to face **of** policy. **If** insured receives the reduced amount **of** benefits for 240 **months**, the indebtedness is liquidated and commencing with the 241st installment the full amount of benefits will be paid.

h. No limit as to age of insured when claim is made.

32.06 INSURANCE IN FORCE FOR AWARD PURPOSES

USGLI is considered in force on the date of total permanent disability when on:

a. A premium-paying basis (a premium credit held to the account of an insured on the date of lapse of his insurance, sufficient to prevent lapse, may be so used, even though the credit is in connection with another insurance contract, unless the insured has directed that the credit be used for another purpose);

b. A paid-up Basis;

c. A waiver of premiums by virtue of a previous finding of total disability under the total disability provisions if attached to the contract;

d. A waiver of premium basis under section 306, World War Veterans' Act of 1924, as amended;

e. Extended insurance basis;

f. Where the insurance, or any part thereof, is revived under section 305, World War Veterans' Act of 1924, as amended; **or**

g. Where the insurance is on a waiver of premium basis under 38 U.S.C. ~24, provided the insured under a permanent plan policy has paid that portion of the premium not required for the pure insurance risk.

32.07 RECOVERY FROM TOTAL PERMANENT DISABILITY

a. If the insured recovers from total permanent disability before 240 installments have been paid or if the insured fails to furnish proof of continuous total permanent disability upon request of VA, all income and waiver benefits cease and the policy may be continued at a reduced amount of insurance.

b. Reduced amount of insurance is the commuted value of remaining installments (240 less number paid).

c. Premium payments are reduced in proportion to the reduced amount of policy.

d. If subsequent claim for total permanent disability is approved, the amount of monthly benefits will be the same as those paid originally, unless insured has voluntarily requested further reduction.

e. If the insured recovers from total permanent disability after having received a total of 240 or more monthly installments, **no** further benefits will accrue either to the insured or to the beneficiaries.

f. If the insured reduces the amount of insurance which is available upon recovery, benefits will be in the direct proportion that the commuted value of the remaining unpaid installments bears to the amount of insurance so retained. Premiums will be reduced accordingly.

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SUBCHAPTER 2. TOTAL DISABILITY INCOME PROVISION

32.08 GENERAL

iii addition to **the** total permanent disability income provided in all USGLI policies, **a disability** income provision may be added to the policies to provide income to the insured who becomes totally disabled (not total permanent) or to increase the income of the insured who becomes totally and permanently disabled. The provision is generally referred to as a rider.

32.09 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).

32.10 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 will be 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. Unlike income paid on account of total permanent disability, payments for total disability do not reduce the face of the policy.

d. Monthly payments will be made concurrent with total permanent disability income payments if there is also a finding of total permanent disability.

e. If an insured is receiving total and permanent as well as total disability income benefits under an endowment policy and rider and the endowment period ends, he has the right of election to take the endowment **or** continue to receive total and permanent disability benefits. If insurance settlement is made under the endowment benefits the total permanent disability payments stop. The amount of payment under the endowment benefits will be the commuted value of the unpaid guaranteed installments (240 minus the number of installments paid). Payments on the TDIP (Total Disability Income Provision) will continue as long as the insured remains totally disabled. Upon recovery, the TDIP terminates and may not thereafter be reinstated.

f. The total disability must occur before default in premium.

32.11 TOTAL DISABILITY PROVISIONS ISSUED PRIOR TO JULY 3, 1930

a. These riders provided for:

(1) One-year waiting period.

(2) Payments date back to beginning of total disability.

(3) No age limit as to date **of** disability.

(4) All premiums paid during waiting period will be refunded, and all premiums waived thereafter during continuance of total disability.

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(5) **Any** installments due the insured and not paid during his lifetime will be paid to the beneficiary.

(6) Due proof is not a factor.

32.12 TOTAL DISABILITY PROVISIONS ISSUED ON OR AFTER JULY 3, 1930

a. These riders provide for:

(1) Four-month waiting period.

(2) Payments become 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 commence prior to the 65th birthday and a 4-month period of continuous total disability must elapse before benefits commence.

(5) Payments may relate 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 begins with premium falling due after income begins.

(6) If the payment of benefits would be 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 will be determined on the basis of the rule set forth in paragraph **31.35** concerning required proof under National Service Life Insurance.

(7) Due proof must be 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 becomes payable will be refundable to insured if living, otherwise to the beneficiary, without interest.

(10) Where the insured becomes totally disabled and it has been determined that his failure to file claim during his lifetime was due to circumstances beyond his control and claim and due proof are filed by the beneficiary within 1 year after the date of death, the monthly income payments, except as otherwise provided in statutory cases, may relate back to a date not exceeding 6 months prior to the date of death of the insured.

32.13 STATUTORY DISABILITIES

a. Total disability riders issued prior to December 15, 1936, (since that date this provision **not** included) construe as total disability the loss of use of both feet, or both hands, or both eyes, or of one foot and one eye.

or of one hand and **one** eye, or of one foot and one hand, or of the organic loss of speech, or the loss of hearing of both ears, **or** becoming permanently helpless or permanently bedridden (refers only to riders issued on or after July 3, 1930, and prior to December 15, 1936).

b. Benefits payable because of the above losses begin the first day of the fifth consecutive month after such losses occur.

32.14 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]

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SUBCHAPTER 3. EXTRA HAZARD OF MILITARY SERVICE

32.15 NECESSITY FOR DECISION

a. Whenever benefits under USGLI become payable because of total permanent disability of the insured or because of the death of the insured as a result of disease or injury traceable to the extra hazard of military service, there is transferred from the military and naval insurance appropriation to the USGLI fund a sum which, together with the policy reserve at maturity, will equal the then value of the benefits. If the insured, receiving total permanent disability benefits, recovers and has the right to continue a reduced amount of insurance, there will be transferred to the military and naval insurance appropriation all of the loss reserve to the credit of such policy claim except a sum sufficient to cover the reserve on the reduced amount of insurance.

b Whenever benefits under the total disability provision 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 is transferred from the military and naval insurance appropriation to the USGLI 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 USGLI fund to the military and naval insurance appropriation the amount of the reserve held on account of the total disability benefit. When the insured recovers and is entitled to continue protection under the total disability provision, there shall be transferred to the USGLI fund a sum sufficient to set up the then required reserve on such total disability benefits.

c. When insurance benefits are awarded for the total permanent disability of the insured, or for death of the insured, or TDIP benefits are awarded for total disability of the insured, a determination must be made as to whether the injury or disease involved is traceable to the extra hazard of military service. Insurance.

d. The rules on extra hazard as provided in chapter 31, subchapter 7, paragraph 31.473e, apply to USGLI (K) policies also.}

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M29-1, Part I
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a. The War Risk Insurance Act, (an act to authorize the establishment of a Bureau of War Risk Insurance in the Treasury Department) approved September 2, 1914, provided for the insurance of commerce against the risks of war. This Act was amended October 6, 1917, and sections 400, 401, 402, 403, 404 and 405 were added granting and regulating insurance against death or total permanent disability. This insurance is known as Yearly Renewable Term Insurance and Automatic Insurance.

b. The War Risk Insurance Act was thereafter amended from time to time. The amendments of December 24, 1919, and August 9, 1921, set forth the requirements for granting Automatic Insurance under which claim may be filed today. Section 401, of the War Risk Insurance Act, as so amended, provides (insofar as we are concerned that any person in the active service on or **after** the 6th day of April 1917, and before the 11th day of November 1918, who, while in such service, and before the expiration of 120 days after October 15, 1917, or **120** days after entrance into or employment in the active service, becomes or has become totally and permanently disabled without having applied for insurance, shall be deemed to have applied for and to have been granted insurance, payable to such person during his life in monthly installments of \$25 each; and any person inducted into the service by a local draft board after the 6th day of April 1917, and before the 11th day of November 1918, who while in such service, and before being accepted and enrolled for active military or naval service, becomes or has become totally and permanently disabled, without having applied for insurance, shall be deemed to have applied for and to have been granted insurance, payable to such person during his life in monthly installments of \$25 each. (This was enlarged in amendment of August 9, 1921, to include the following: Those persons who between the 6th day of April 1917, and the 11th day of November 1918, applied for enlistment or enrollment in the military or naval forces, and who were accepted provisionally and directed or ordered to a camp, post, station, or other place for final acceptance into such service, shall be deemed to have the same status as an inducted man not yet accepted and enrolled for active service.)

c. Section 301, World War Veterans' Act of 1924, as amended, (formerly sec. 402 and 404, War Risk Insurance Act), provides that all Yearly Renewable Term Insurance shall cease on July 2, 1926, except when death or total permanent disability shall have occurred before July 2, 1926, and such insurance shall be converted. The cease date was extended to July 2, 1927, by the amendment of March 4, 1925.

33.02 DEFINITION OF TOTAL PERMANENT DISABILITY

Any impairment of mind or body which renders it impossible for the disabled person to follow any substantially gainful occupation shall be deemed to be total disability. Total disability shall be deemed to be *permanent* whenever it is founded upon conditions which

render it reasonably certain that it will continue throughout the life of the person suffering from it.

33.03 STATUTORY DISABILITIES

Contracts issued prior to December 15, 1936, provide benefits for anatomical and functional losses (permanent loss of use of both feet, or both hands, or both eyes, or of one foot and one hand, or of one hand and one eye, or of one foot and one eye, or the loss of hearing of both ears, or the organic loss of speech, without regard to the definition above since such disabilities are deemed to be total and permanent.

NOTE: The statutory provisions concerning the conditions of permanently helpless or permanently bedridden that apply to United States Government Life Insurance contracts do not apply to Yearly Renewable Term and Automatic Insurance. !

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33.04 NECESSITY OF CLAIM

A **claim** by the insured or a person acting **in** his behalf is a prerequisite to (determining entitlement to total and permanent disability benefits. The term *claim* is defined as any writing which alleges total and permanent disability at a time when the contract of insurance was in force, or which uses words showing an intention to claim insurance benefits.

33.05 COMMENCING DATE OF TOTAL AND PERMANENT DISABILITY BENEFITS

a. Under Yearly Renewable Term Insurance, benefits **begin** as of the commencing date of total and permanent disability which must have occurred while the policy was in force or where such insurance is revived under section 305, World War Veterans' Act of 1924, as amended. The insured shall be paid \$5.75 per thousand per Month during such disability and premiums **are** waived.

b. Under Automatic Insurance, benefits of \$25 per month commence as of the beginning date of total **and** permanent disability.

c. The benefits continue so long as the insured remains totally and permanently disabled. The benefits reduce the face amount of Yearly Renewable Term insurance. Automatic insurance under section 401 of the War Risk Insurance Act, as **amended**, has no face value.

d. Upon approval of claim, the Yearly Renewable Term policy matures and the proceeds are paid in monthly installments to the insured.

e. **The** monthly installments will be reduced by **an** indebtedness (Lien), which will be liquidated after 240 installments have been paid to the insured. Commencing with the 241st installment, the monthly benefit will not ___ be reduced.

f. There is no time limit on the filing of claim for total and permanent disability benefits under War Risk or Automatic Insurance.

g. There is no limit as to age of the insured when claim is made under such insurance.

h. The requirement as to *due proof* is not applicable to Yearly renewable' Term or Automatic Insurance.

i. The insured has the right to elect to receive payments under prior contract or policy of insurance (Yearly Renewable Term Insurance) upon surrender of subsequent contract or policy [USGLI], and in event of such election, he may not thereafter receive any benefits under subsequent contract t or policy surrendered.

NOTE: If the election is made to take under the converted contract or policy (USGLI), the effective date of the total permanent disability for award purposes will be no earlier than the date of conversion. (Of course, the due proof is applicable.)

j. The right of election to receive benefits under the Yearly Renewable Term policy is limited to the insured and in the absence of statutory authority cannot be exercised by one other than insured and cannot be exercised by beneficiary in latter's own right.

§3.06 TOTAL AND PERMANENT DISABILITY BENEFITS AFTER DEATH

a. Upon death of the insured under Yearly Renewable Term Insurance while on total permanent disability, if a valid designation of beneficiary was made (limited to spouse, child, grandchild, parent, brother, sister, uncle, aunt, nephew, niece, brother-in-law and sister-in-law of the insured) any monthly installments which have accrued to the insured at the time of his death and not paid during his Lifetime will be **payable** to the insured's estate.

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Installments accruing after death of the insured, not exceeding 240, will be payable to the primary beneficiary so long as such beneficiary lives. If the beneficiary receiving such installments dies before 240 installments have been paid, all accrued unpaid installments due prior to the death of the beneficiary are payable to the estate of the beneficiary. The remaining installments, if any (not exceeding 240), are payable to the contingent beneficiary, if one was designated, otherwise, the commuted value of all installments accruing after the death of the designated beneficiary are payable to the estate of the insured.

b. **Upon death of the insured either before receiving any installments of Automatic Insurance or before receiving 240 installments, then \$25 per month will be payable to his widow from the time of his death and during her widowhood; or if there is no widow surviving him then to his child or children; if no children then to his mother; if no mother surviving then to his father; provided that no more than 240 installments including those received by the insured shall be paid.**

c. **Commuted value of unpaid installments only applies in those cases where claim formal or informal was filed prior to death of the insured. That is to say, where claim is filed by beneficiary or other person entitled to receive the insurance and there is no record of a claim (formal or informal)**

filed prior to death, if the decision finds total permanent disability at a time when the insurance was in force, only the face value of the policy is payable.

d. Section 301 , World War Veterans' Act of 1924, as amended, provides that yearly renewable term insurance shall cease on July 2, 1927, except where death or total permanent disability occurs before that date. No provision is made for a grace period for term insurance after July 2, 1927. Thus, in a case where term insurance lapsed July 1, 1927, and total and permanent disability commenced July 8, 1927, it would be necessary to deny the claim for total and permanent disability insurance benefits (Opinion Acting General Counsel, C-265, 681, September 20, 1927; Director's Decision, U.S. Veterans' Bureau, No. 353, November 5, 1927.)

33.07 REVIVAL OF INSURANCE UNDER SECTION 305, WORLD WAR VETERANS' ACT OF 1924, AS AMENDED

a. Section 305 (referred to in this paragraph as *this section*), formerly section 408, War Risk Insurance Act, provides where any person has heretofore allowed his insurance to lapse while suffering from a compensable disability for which compensation was not collected and has become totally and permanently disabled and at such time was or is entitled to compensation remaining uncollected, then and in that event so much of his insurance as said uncollected compensation would purchase if applied as premiums when due, shall not be considered as lapsed. Such revived insurance is payable to the insured or to his beneficiaries. Insurance which lapsed subsequent to July 2, 1926, May not be revived under this section. This is true with regard to Yearly Renewable Term Insurance as well as United States Government Life Insurance.

b. This section as amended July 2, 1926, added-on has canceled or reduced all or any part of such insurance-and also provides that the insurance hereafter so revived shall be paid only to the insured, widow, child or children, dependent mother or father, and in the order named unless otherwise designated by the insured during his lifetime, or, by last will and testament. This restriction of beneficiaries applies to Yearly Renewable Term Insurance as well as USGLI. Where insurance is revived under this section on total permanent disability occurring prior to July 2, 1926, it is known as heretofore revived insurance and after July 2, 1926, as hereafter revived insurance and should be so designated on the awards. Restriction upon the terms child or children, limiting these terms to persons under 18 years and to those permanently incapable of self-support was not intended to apply to the term child or children as used in this section and as affecting insurance revived under that section. (Opinion of the General Counsel February 3, 1928, XC-229 968.)

c. The words *heretofore* and *hereafter* have significance only in regard to classification of beneficiaries and it should be kept in mind that it has no relation to the word heretofore as used in this section which refers to the date prior to which insurance must have lapsed, been canceled or reduced in order to be affected by the provisions of the section.

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d. Before consideration may be given the application of this section, it must be determined that (1) the insurance was issued and **there** was a lapse, cancellation or reduction prior to July 2, 1926; (2) that on the date of such lapse, cancellation or reduction the insured was suffering a compensable disability of at least 10 percent for which compensation was then uncollected; and (3) as of the commencing date of total permanent disability there was any compensation due and uncollected. In the event these three requirements are not met, the claim will be denied insofar as this section is concerned. The theory on which

Congress so provided was that if a **veteran** was due compensation for a service-connected disability, that he should not lose his insurance by fail **ire** of payment of premiums to the extent that he could **have** used such compensation to pay the premiums had he received it.

c. Under this section, insurance hereafter **revived** is payable only to certain specific individuals **and** not to the estate of the veteran or to the estate of survivors within the restricted permitted class who later died. Since accrued payments could not be paid to any estate, they cannot, without the express provision of statute, be paid to **anyone**.

f. **Where** there have been multiple lapses of Yearly Renewable Term Insurance, several lapses occurring before and after July 2, 1926, and the first two requirements of this section are met, the lapses of insurance after July 2, 1926, must be disregarded and uncollected compensation should be applied to the insurance which last lapsed prior to July 2, 1926, and then if no insurance is saved, the rule is applied to the next prior lapse and soon to the first lapse. As to any question concerning the disposition of premiums that may have been paid in connection with reinstatements after July 2, 1926, it is assumed that these reinstatements were **valid** and that full protection was afforded thereunder against the contingency of death or of total and permanent disability during all the periods for which the insurance was in force under the subsequent reinstatements. Upon this view, premiums paid in connection with the subsequent reinstatements stand as earned and, therefore, would not be subject to a refund.

g. Generally, the compensation used to revive insurance under this section is that compensation resulting from ratings under the laws, regulations **and** other criteria in effect over the periods covered by the 305 rating.

(1) Compensation which is uncollected by reason of the provision of section 310 of the War Risk Insurance Act, as amended, or section 210 of the World War Veterans' Act of 1924, as amended, shall be considered as uncollected compensation for the purposes of this section.

(2) The subsequent collection by the insured of war-risk disability compensation due **and** payable at date of happening of total and permanent disability, will not defeat the right to apply the amount of such compensation to revive insurance under the provisions of this section.

(3) Adjusted-service compensation and a loan on the insured's bonus certificate *arc not that character of compensation* available to revive insurance. (Gibson et al. v. U.S., 28 F. Supp. 514 E.D. Ky. July 1939.)

(4) The \$60 bonus provided by Public Law 254, 65th Congress, approved February 24, 1919, and not received by **an** insured who died after such date can be used as uncollected compensation to **revive** insurance for purposes of this section.

(5) Where **an** insured was awarded compensation for total permanent disability and payments were regularly made until his death, and subsequent thereto he was given an increased disability rating carrying with it increased compensation from a date prior to lapse of his policy, the additional compensation was compensation remaining uncollected to which the veteran was entitled at the time of his death. (35 (>ps. A.G. 141, July 24, 1926.)

(6) An insured is not entitled to compensation for any period during which he refused to submit to physical examination. Therefore, if the **only** compensation not collected at the time his insurance lapsed was compensation for that period which never was owing or collectible, he was not at that time *suffering from a compensable disability for which compensation was not collected*; **and** no compensation for that period can be considered compensation remaining uncollected to which he was entitled at the time of his total permanent disability.

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(7) Additional compensation to which the insured was entitled because of his Marriage, and which was owing to him and was collectible at the time of his total permanent disability, was compensation remaining uncollected to which he was entitled at that time within the Meaning of this section. It is immaterial that the compensation remaining uncollected at the time of permanent total disability was not the same compensation as that uncollected at the time the insurance lapsed. It is also immaterial that the cause of non collection of the additional compensation was the failure of the insured to file a claim therefor or his delay in filing claim.

(8) Uncollected compensation representing only a portion of a month during which the total permanent disability commenced is not available to revive insurance under this section. In determining this question, compensation is to be figured as accruing in monthly installments reckoning from the first day to **the end of any** given calendar month and that at the date of the maturity of the insurance **there** must have been at least 1 monthly installment then uncollected.

(9) Apportioned compensation, to a wife, child, children or dependent parents, that remains uncollected may not be used to revive insurance under this section. (Director's Decision No. 223 of September 25 1925.)

(10) If the insured was so helpless as to be in constant need of a nurse or attendant and if during such period **was** not hospitalized by the Bureau; and further, if it has been decided that he is entitled to additional compensation for such attendant and, if such sum remained uncollected at the date of Maturity of the insurance, then such sum shall be considered as uncollected compensation within the meaning of this section. (Director's decision o. 21 of August 27, 1925.)

h. There may be an occasion where a claim is submitted for revival under this section and the insurance involved has been surrendered for its **cash** value. On the one hand it may be contended that a **policy which** has been surrendered for its cash surrender value is none the less a canceled policy, the only difference being that a converted **policy** which has been in force a year or more has a cash surrender value, while one that is canceled before that time has none; that inability to continue premium payments may often be the cause of surrender of the **policy** for cash as it usually is of cancellation when less than a year old; and there is no reasonable basis for a distinction between the two cases nor any clearly disclosed intention to make one. On the other hand, the language of the statute itself gives some indication that Congress did not intend to include a policy surrendered for its cash value. While it expressly provides for deduction from the amount of the revived insurance of the *unpaid premiums and interest thereon*, it does not provide for deduction of any thing which may have been paid the insured as the **cash** surrender value of his policy. It cannot have been intended that the insured is to have both the cash surrender value of his insurance and the face amount of the policy, and the absence of a provision for deduction of the former suggests that Congress did not contemplate the revival of a policy so surrendered. Therefore, insurance that has been surrendered for cash value cannot be revived under this section of the World War Veterans' Act of 1924.

1. The insured is entitled to so much of his insurance as uncollected compensation would purchase if applied as premiums, irrespective of the minimum and multiple amount specified in obtaining insurance. (Director's Decision No. 191 of May 26, 1925.)

j. The words *compensable disability* mean a disability for which compensation may be paid, and should be construed in connection with the words immediately following, *for which compensation was not collected*. There are no limitations on these words. The cause of this

non collection may be either delay **by** the Veterans' Bureau in making the award or delay on the part of the claimant in filing his claim. There is no authority to inquire into the cause of the fact that the compensation was not collected. The pertinent and controlling part is that it was not collected. (Op. Attorney General September 11, 1925.)

k. Section 305, World War Veterans' **Act** of 1924, as amended, may apply to a case in which **there** is a retroactive and automatic waiver of premiums under section 306, World War Veterans' Act of 1924, as amended. If at the termination of waiver of premiums under section 306, as in the case of 6 months **after the** appointment of guardian, the insurance would lapse at the end of the 6-month period. However, if at the time of lapse there was uncollected compensation and the requirements as to revival under section 305 **are** met, then the insurance can be revived under section 305 with the understanding that there will be deducted unpaid premiums with interest as provided for by both sections **305** and 306.

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33.08 SECTION 306, WORLD WAR VETERANS' ACT OF 1924, AS AMENDED

This section (formerly section 409, War Risk Insurance Act), provides that payment of premiums on Yearly Renewable Term or United States Government Life Insurance on the due date thereof may be waived and the **insurance may be** deemed not to have lapsed in cases where an insured allowed his insurance to lapse while rated incompetent or until a guardian has notified the VA of his qualifications, but not later than 6 months after appointment as guardian. Cases under this section may be referred by Policy Service Section to Insurance Claims Section for determinations of competency. No application for this waiver of premiums is necessary.

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CHAPTER 34. INSURANCE COLLECTIONS POLICY

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 Regional Office and Insurance Center. In the St. Paul VA Regional Office and Insurance Center, the Collections Section is within the organizational structure of the Finance Division. 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, or Finance Division, Collections Section.

34.02 FUNCTION

a. The Collections activity receives and processes for deposit and credit to proper accounts, remittances received from the following sources:

- (1) Direct from insureds.
- (2) Agent cashiers at VA field stations (Forwarded for deposit and processed similarly to direct remittances).
- (3) Remittances tendered to the agent cashier at Manila, P.I. which are deposited to the designated depository of the Treasury at Manila for the credit of the Philadelphia VA Regional Office and Insurance Center (processed similarly to direct remittances).
- (4) Military services in the form of a single check from each service component covering Type "N" allotment deductions, the detail posting of which is processed via mag-tape transfer through the Insurance ADP system (Philadelphia only).
- (5) Military services in the form of a single check and paper listing for in-service personnel who are having their insurance premium payments deducted from their in-service pay (type "I" allotments). These payments are received monthly in the Collections Activity (Philadelphia only). Collections personnel will process these payments as no-doc payments using the no-doc screen on the RPS system and deposit the service department check as a multi-doc single check transaction in order to update the individual accounts.
- (6) Premium payments and loan/lien repayments deducted from VA benefits (Philadelphia only). These payments are updated via mag-tape transfer and SF 1081, "Voucher and Schedule of Withdrawals and Credits" supplied by the Hines IL BDC to the Philadelphia BDC. The related individual accounts are updated by the Insurance ADP system and the accounting medium is controlled by the Accounting Section of the Finance Division.

(7) Insurance Premium payments received through Electronic Fund Transfer (EFT) known as Preauthorized Debits (Philadelphia only). These payments are preauthorized by the policyholder and are automatically taken from his/her checking account on the premium due date. The premium transfer is accomplished via electronic data transfer between the Philadelphia BDC and the Philadelphia Federal Reserve Bank (FRB). The Philadelphia Collections Activity is responsible for controlling the output produced by the BDC to be sent to the FRB as well as controlling the output from the collections sort run once the ADP system has selected the accounts for monthly update. Collections will also control the output received from the FRB that itemizes the changes and return items.

b. The Philadelphia Collections Activity is also responsible for processing certain collections items for the Loan Guaranty Service as follows:

(1) Monthly Portfolio Loan payments from individuals repaying VA owned mortgages. These payments are processed through the RPS system and the accounts are updated via electronic data transfer to the Austin Automation Center in Austin Texas.

(2) Individual Funding Fee payments received from a variety of lending organizations representing the fee assessed by the Department on all VA Home Loan guarantees.

These payments are processed through the RPS system using the "no-doc" screen and the individual transactions are then transferred electronically to the Austin Automation Center.

c. The St. Paul Collections activity is also responsible for processing certain collections items for the Agency as follows:

(1) All Centralized Accounts Receivable Systems (CARS) payments received from veterans and beneficiaries who are repaying an indebtedness to the Agency. These payments are processed through the RPS system and the accounts are updated via electronic data transfer to the Austin Automation Center.

(2) All Education Loan Payments (EL) for the Education Service. These payments are processed through the RPS system and the accounts are updated in the St. Paul WANG data base.

(3) All Veterans Mortgage Life Insurance (VMLI) payments whether they are transferred via magnetic tape, remitted direct through the Accounting Section or paid direct through the Agent Cashier.

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, Loan Guaranty or Education, Compensation and Pension subsystem accounts.

b. Collections is also responsible for making daily deposits in a timely manner and to provide the Accounting Section with deposit information broken down by application and insurance fund and deposit information for the Loan Guaranty applications.

c. The Collections activity writes and maintains detailed operating instructions for processing all Insurance remittances. A copy of these procedures is distributed to all personnel in the Collections Activity. The Collections Activity also follows the procedures outlined by the Director, VBA Finance Staff (241) for processing all Loan Guaranty, Education Loan and CARS remittances. These instructions address both Open and Closed Mail processing, for all remittance activities as follows:

- (1) Premium, loan, lien and interest collections
- (2) Loan Guaranty Portfolio Loan and Funding Fee Payments
- (3) Education Loan and Centralized Accounts Receivable payments
- (4) Preauthorized Debit (EFT) receipts
- (5) Deposit reconciliation and/or Federal Reserve bank reconciliations
- (6) Unassociated and/or Unidentified collections
- (7) Audit trail requirements and/or Micro filming requirements
- (8) Premium notices and payments received and deposited in the wrong office
- (9) Manila collections (VA Regional Office and Insurance Center, Philadelphia only)
- (10) Premiums paid as billed, Premiums not paid as billed, Premiums, correspondence, etc.

34.04 COLLECTIONS MANAGEMENT

a. Workload reports (beginning balance, received, processed, and ending balance) will be maintained daily to determine equipment and/or personnel requirements to accomplish the following:

- (1) To keep collections receipts current to preclude unnecessary lapse of policies, late payment notices, mortgage foreclosures, late Funding Fee notices, etc.
- (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, along with computing specifications, will be periodically requested by the Director, VBA Finance Staff (241).

b. Remittance processing equipment should generate collections management data as follows:

- (1) Fund Distribution Reports
- (2) Payment Analysis (Operators and Types)
- (3) Cash Control Reports
- (4) Operator Statistics

- (5) Modification of Deposit and/or Security Reports
- (6) Miscellaneous batch summaries and crossfoot checks
- (7) Portfolio Loan Stopfile Reports

c. In order to retrieve deposit information, all remittances and/or billing documents will be imprinted with sufficient audit trail information and microfilmed. Remittances must be encoded to comply with Treasury Fiscal Requirements Manual (Part 6, Chapter 8000-Cash Management) and endorsed according to the current FRB guidelines.

34.05 REPORTING DAILY INSURANCE COLLECTIONS ON AS DEPOSITED BASIS

a. Deposit Tickets are prepared daily for the following remittances:

- (1) Preauthorized Debits,
- (2) Direct Payments (checks and money orders),
- (3) Cash.

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.

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 Collections personnel and employees who are authorized to pick up and deliver remittances. In St. Paul, digital combination locks which allow entry into the Collections activity will be changed quarterly.

c. All Collections personnel with access to the Remittance Processing Terminals, Data Management Center, and Intelligent Communications Processor, will have their passwords changed every four months. Changing the passwords is a utility that is available in the Banctec software package. How to use this utility is described in the Banctec manual.

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.

e. When an evacuation is declared, and all personnel have left the Collections activity (Philadelphia), the Policyholders Services Division Chief will verify with security headquarters that the alarm was activated.

f. Prior to the disposal of VA remittance bearing envelopes, they are examined to assure that all contents have been removed. This is done by use of an Automatic Mail Extractor with a special sensor to pick up any remaining contents of an envelope.

g. Inflammable materials, wastepaper containers and supplies must be stored in a manner that does not constitute a fire hazard. Fire extinguishers should be placed at strategic points to be easily accessible in case of fire. Smoking is prohibited in the Collections site. Wastepaper baskets should be kept to a minimum, and the contents examined by employees at the close of business each workday to insure no pertinent materials were inadvertently discarded. No remittance bearing envelopes will be disposed of in wastepaper baskets but will be disposed of in boxes designated specifically for envelopes.

34.07 ENDORSEMENT OF REMITTANCES

a. All remittances made payable to "Department of Veterans Affairs," "Treasurer of the United States," or any abbreviation thereof will be deposited with the VA endorsement as specified by FRB directive.

b. There are also special endorsements which must be made when the remittance is made payable to other payees:

(1) Insurance remittances made payable to "National Service Life Insurance," "United States Government Life Insurance", or other remittances with any other abbreviation thereof, or to an official of the VA by name or title, must be specifically endorsed to read as follows:

ABSENCE OF PAYEE'S ENDORSEMENT WAIVED

DEPARTMENT OF VETERANS AFFAIRS

(2) Checks which are made payable to the insured, but not endorsed by that person, require special endorsement. For such checks the endorsement to be used will read as follows:

CREDITED TO THE ACCOUNT OF THE WITHIN-NAMED PAYEE

ENDORSEMENT WAIVED

DEPARTMENT OF VETERANS AFFAIRS

c. In instances where banks refuse to accept a special endorsement, the returned check will be processed as an uncollectible remittance.

d. Loan Guaranty remittances will be stamped "FOR VA DEPOSIT ONLY" before they are released to the Philadelphia Finance Division.

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 FRB

The Federal Reserve banks will automatically re-present uncollectible checks once unless the reason for refusal of payment is in a category similar to the following:

- (1) Maker deceased
- (2) Account closed, transferred, or no account
- (3) Signature missing, or defective
- (4) Payment stopped
- (5) Payable to third party
- (6) Stale date or postdated

SUBCHAPTER 2 - PROCESSING OF REGULAR (DOMESTIC/NON-CASH) COLLECTIONS REMITTANCES

34.10 GENERAL

a. Mail presumed to contain a remittance will normally be any mail enclosed in an envelope with P.O. Box 7787, P.O. Box 13129 and P.O. Box 13136. The mail is classified as either Closed Mail or Open Mail.

- (1) Closed Mail is mail received at one of the VA specified Post Office Boxes for remittances,.
- (2) Open Mail is all commercial mail sent to a P.O. Box other than the VA assigned P. O. Boxes, or any mail which requires a clerical action before deposit processing.

b. A count of remittances is made upon receipt to plan the processing and to monitor workloads. The count for Closed Mail is made by weight or tray-count formula, Open Mail is hand counted. A daily inventory is made of the mail on hand for purposes of determining workload requirements.

c. Any remittances found by the Administrative Division during the examination of their regular mail are hand carried to the Collections Unit. Processing of the Open Mail items begins on the date of its receipt or on the date it is identified as Open Mail by Collections personnel.

d. When Closed Mail is stored in a safe or vault pending processing, it is marked to indicate the date of its receipt. Closed Mail is always processed by date received.

e. All collections input must contain a Postmark Date (PMD). The PMD will be determined for the various types of mail as follows:

- (1) Open and Closed Mail. The Closed Mail PMD used is always the fourth day prior to the date of its receipt, excluding Sundays and holidays. The Open Mail PMD is the third day prior to the date of its receipt, excluding Sundays and holidays.
- (2) Registered or Certified Mail. The actual PMD will be used.

(3) Remittances from Agent Cashiers. The actual date of receipt on the VA Form 4-367, Counter Receipt - Government Life Insurance, will be used as the PMD.

NOTE: A statistically sound sample will be made periodically to validate the elapsed time from the PMD to date of receipt. Any recommendation to change the PMD determination procedures as a result of the sample will be forwarded to the Assistant Director for Insurance at the VAROIC, Philadelphia, PA.

34.11 DEPOSIT OF REGULAR REMITTANCES (DOMESTIC)

After the remittances have been reconciled, encoded, imprinted with audit trail information and microfilmed, they will be prepared for deposit as follows:

- a. An FS 215, Deposit Ticket, will be prepared in accordance with appropriate guidelines (Treasury Fiscal Requirements Manual for Guidance of Departments and Agencies, Part 5 - Deposit Regulations).
- b. A VA Form 4-1622, Transmittal List of Posting Media and Report of Distribution, will be prepared for accounting support and/or run 155 reconciliation.
- c. The agent cashier has verified the counter receipt copies representing cash, and the cash control machine receipts, with the adding machine tape for cash to be deposited. Bank drafts and cash will be exchanged for the cash control machine receipts, which will be filed in serial number order.
- d. A VA Form 4-1011, Record of Shipment of Valuables, will be prepared.
- e. The completed Federal Reserve bank deposit, including the grand total adding machine tape, and all copies of SF 215, except the agency and memorandum copies, will be packaged for forwarding to the depository. The agency and memorandum copies of the deposit will be sent to the appropriate Accounting Section at the time the deposit is dispatched to the Federal Reserve bank. When the receipted copies of the SF 215 are returned, the appropriate Accounting Section will return the agency copy to the Collections activity for its information and records.

34.12 NONNEGOTIABLE REMITTANCES

a. The following types of remittances are, for purposes of these instructions, classified as nonnegotiable:

- (1) Checks not completed and/or signed
- (2) Remittances made payable to wrong payee (see exceptions in par. 34.07, Endorsement of Remittances)
- (3) Postage stamps
- (4) U.S. Savings Bonds
- (5) Postdated checks (returned by Federal Reserve bank or found during processing)
- (6) Mutilated remittances

(7) Written and numerical amounts do not agree

b. When processing nonnegotiable remittances, care will be taken by the collections cash clerk to assure that all related material is attached to the premium notice, including the envelope. All such remittances will subsequently be reviewed by a supervisor who will make a final determination concerning the negotiability of each remittance. Those determined to be negotiable will be introduced into the current deposit. Those determined to be nonnegotiable will be returned to the policyholder with the appropriate explanation.

34.13 UNCOLLECTIBLE REMITTANCES

a. The memorandum and confirmed copies of the SF 5515, Debit Voucher, with uncollectible remittances attached will be received from the depository. The depository will retain the original and duplicate for their records.

b. The Collections activity will identify the application for which the item was originally processed and note the information, including the insurance fund for insurance remittances, on the confirmed copy of the SF 5515 and forward it to the appropriate Accounting element for posting.

c. The uncollectible remittances will be processed through the system and/or reconciled with the Federal Reserve bank via local operating instructions.

SUBCHAPTER 3 - REMITTANCES FROM OTHER VA STATIONS AND/OR CASH

34.14 DAILY CASH LEDGER

a. A daily bound columnar ledger with printed prenumbered pages is maintained by the Collections Activity. This ledger is used to control the receipt and deposit of all collections from field stations and cash received with payments. Pertinent information will be entered to identify the source of the money 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. Entries to the ledger for field stations are made in station number sequence.

c. Cash received for loan guarantee and insurance payments in the Philadelphia ROIC, Collections section, must be handed to the supervisor. The cash clerk 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: PMD, name, file number, check amount (if any), cash amount and the bank I.D.

(2) The supervisor will then walk to the VA Federal Credit Union and obtain money orders for the cash amounts. Separate money orders are obtained for insurance, portfolio loans and funding fees. 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 payments are then taken by the supervisor to the terminal operator, who then inputs the transaction into the system.

34.15 PROCESSING

a. Remittances ready for processing (including cash) generally come from three sources: (a) Collections Unit/Section (b) Mail Unit, Veterans Assistance or Administrative Divisions, and (c) Agent Cashiers, VA offices nationwide. There are instances where remittances could come from any other division also. 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 handcarries the cash and related material to the Credit Union once a day.

(b) Mail Unit. Cash is entered in the Registry Log maintained in the Mail Unit and subsequently hand carried to the agent cashier.

(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) All remittances, copies two and three of VA Form 367, Counter Receipt - Government Life Insurance, and VA Form 1551, Transmittal Schedule of Insurance Collections are sent certified or registered by the Station Agent Cashier to the receiving Agent Cashier.

(b) The receiving cashier, in the presence of another clerk, opens the items and verifies the contents by checking the remittances with the VA Form 367 and the VA Form 1551. Contents should include the schedule in duplicate and copies 2 (white) and 3 (yellow) of the counter receipts with remittances. The cashier will count any cash and sign and date both copies of the transmittal schedule when found to be correct. The duplicate copy of the schedule will be returned to the originating office.

1. Should a discrepancy be found in the amounts, schedule and/or the amount actually received, and it is not of a serious nature (i.e. typing error), the agent cashier can make and note the necessary changes and forward VAF 1551 back to the forwarding office. However, should the discrepancy be of a serious nature, (i.e. incorrect amount of cash or check), the issuing office is notified by phone, and the entire package is returned certified by the receiving agent cashier. If a response adjusting and explaining the discrepancy is not received within 5 days, the Director of the field station will be notified directly and requested to conduct an investigation as to the reasons for the delay in adjusting the discrepancy.

2. In those instances where there is a discrepancy in the total amount on the VA Form -1551 or in the amounts shown on the VA Form 367, the transmittal will not be receipted but will be retained until the information is received from the transmitting field station adjusting the discrepancy. The VA Form 367 and corresponding remittances which are in order will be released for processing and deposit.

(c) After verification, the cashier will separate the items received from field stations by respective categories (i.e. cash items, check items etc.). A processing day number will then be supplied by the Collections Unit.

(d) If the VA Form 1551, Transmittal Schedule of Insurance Collections, is properly completed, the cashier will process the remittances as follows:

1. General Processing Parts #2 and #3 of VAF 367 will be associated with either cash, drafts, money orders, or checks depending on the type of payment made. They will then be stacked in groups accordingly. An adding machine tape will be done for each group and associated. A VAF 4522 (Register Log Sheet) is then prepared in duplicate, and each counter receipt is listed with the following information: (1) Counter Receipt Number, (2) Insured's name, (3) Forwarding R.O., (4) Remittance Amount, (5) Deposition (i.e. cash, drafts or checks). Each group total is then placed together on a tape. This tape is then compared to the individual tapes to verify that they equal. The VAF 4522's are then signed, and one is associated with the package and the other is filed in the Agent Cashier Office.

2. Check Items. All correspondence associated with the check payment and part #2 (white copy) of the VAF 367 form are paper clipped together and placed in a stack. All check items are added together. The adding machine tape is done in duplicate. One copy of the tape is attached to the check items and the other copy of the tape is attached to the VAF 4522 (Register Log Sheet). When a premium notice is received with a check item, the PMD is verified as shown on the Counter Receipt ("DATE PAID" block) with the date of the check. If the PMD is the same as the date of the check, the premium notice with the check will be released to the Collections activity by category. When the date of the check is in variance with the PMD on the Counter Receipt, the PMD will be entered in pencil immediately above the date on the check, and released by category to the Collections activity.

3. Cash Items. All correspondence associated with a cash payment and part #3 (yellow copy) of the VA 367 are paper clipped together, and placed in a stack, aside from the actual cash. The cash is broken down according to denomination and recorded on a Cash 215 (Currency Deposit with Federal Reserve Bank of Philadelphia) Form. An adding machine tape is done in duplicate for all the VAF 367's (yellow copies). One tape is attached to the cash items, and the other tape is attached to VAF 4522. The cash remains in the safe in the Agent Cashier's Office until a Deposit Ticket (Standard Form 215) is prepared by Collections. In addition a typed Currency Deposit Cash Slip (215) is done in triplicate. This readies the cash for deposit.

4. When the daily accountability has been completed, the cashier will prepare an adding machine tape from all the receipts, verifying the total against the figure supplied from the Daily Summary Ledger. When these totals agree, all remittances will be released accordingly.

34.16DISASSOCIATED CASH - NO-NAME REMITTANCE

a. Cash which obviously has, through handling, become separated during routine processing and which cannot be positively reassociated, will be processed for deposit as follows:

(1) The cash will be taken immediately to the supervisor, who will enter it in the cash book in ink and, along with the reporting employee, initial the entry. If more than one such instance occurs during the day, the cash will not be consolidated. The money in each instance will be reported as a separate "No Name" case.

(2) The supervisor will take the cash to the credit union and obtain a money order. The money order will be classed as an unidentified "No-Name" remittance and will be redeemed in the regular manner.

b. Disassociated cash received from the Mail Unit, Administrative Division, will also be processed in accordance with the same procedures.

SUBCHAPTER 4 - PROCESSING AND DEPOSITING FOREIGN REMITTANCES

34.17GENERAL

a. A foreign remittance, for the purpose of categorizing items for processing, is foreign cash or any negotiable instrument drawn on a financial institution located outside the United States, whether written in a foreign currency or United States dollars. The only exception to this definition is a check written on a bank in Guam, Puerto Rico or the Virgin Islands which contains a bank routing and transit number; these items will be processed as though they were domestic.

b. The SF 215, Deposit Ticket, is prepared in accordance with paragraph 34.12b. Specific deviations for the different types of foreign remittances are explained in subsequent paragraphs. The certificate of deposit for foreign deposits are numbered from the 5000-6999 series of numbers, beginning with number 5000 each fiscal year.

NOTE: To facilitate the identification of accounts on which foreign checks were credited and for general reference about the status of collection of foreign remittances, a suspense file of VA Forms 4-8627 is maintained by the Collections activity for 6 months and disposed of in accordance with RCS VB-1.

34.18REMITTANCES DRAWN ON FOREIGN BANKS PAYABLE IN UNITED STATES DOLLARS

a. When a check is received in the Collections Unit that is drawn on a foreign bank but paid in U.S. dollars, the following procedures are followed:

(1) The cash clerk gives the check and any accompanying correspondence to the Unit Chief.

- (2) The Unit Chief prepares the check for processing by circling the U.S. dollar amount in red and also in red indicates the file number, name code and the policy number across the top of the check.
- (3) A Certificate of Deposit is obtained from Miscellaneous Accounts and Services Unit, (MASU) and a CD (Form 215) is prepared by the Unit Chief according to set procedures.
- (4) Upon completion of the CD, the Unit Chief returns the agency copy of the CD to MASU. MASU sees that this copy goes to Finance with the day's work.
- (5) The payment is prepared for terminal insertion. After insertion, the checks are microfilmed and returned to the Unit Chief.
- (6) The Unit Chief removes the memorandum copy of the CD and retains it eventually to be filed in MASU.
- (7) A record of Shipment of Valuables (VA Form 1011) is prepared. It is signed by the lead clerk and a witness. The checks and the remaining copies of the CD are placed in an envelope addressed to Citibank. The sealed envelope, the record of shipment of valuables, and a prepared certified mail card are hand carried to the mailroom by the lead clerk.
- (8) After mailing, the Record of Shipment of Valuables is returned to Collections by the mailroom and inserted in a binder by the Unit Chief.
- (9) Once Citibank processes the check/s, a confirmed copy of the CD is returned to Collections and is given to MASU and forwarded by them to Accounting.

34.19 REMITTANCES DRAWN ON FOREIGN BANKS PAYABLE IN FOREIGN CURRENCIES

When a foreign check is received in the Collections Unit that is to be paid in foreign currency, the following procedures are followed:

- (1) Upon receiving the check, a diary message is inserted "For Check Pending 292F1", with a call-up date
120 days from PMD of the check.
- (2) The next available C.D.# is selected and recorded in the Unit Foreign Check-Foreign Currency Log book.
- (3) The blank C.D. is filled out and copies #2 and #4 are retained.
- (4) The remaining copies of C.D. and checks are mailed (certified) to CitiBank, New Hyde Park, NY 11042.
- (5) After CitiBank processes checks, confirmed copy of C.D. (green copy) is returned. A PSEUDO DOC (Form 4-3676) is prepared for each check.
- (6) The DOCS are separated according to postmark date and target slips are prepared for each postmark date.
- (7) The target slips and DOCS are given to the RDC operator and then to the photo operator to be filmed.

(8) The green and yellow copies of C.D. are forwarded to MASU for filing.

(9) The conversion amount is recorded in the Unit Foreign Check Log book and the diary message is deleted.

34.20FOREIGN CASH

a. Foreign currency and all related documents received in the Mail Unit are hand carried to the immediate supervisor, where it is recorded in the supervisor's cashbook. The supervisor delivers the currency to the cashier with other cash found during the routine processing.

(1) The cashier initials a log kept by the Mail Unit for receipt of the cash. VA Form 367 is prepared assuring the type and amount of foreign currency is noted. The original is returned to the insured with FL 4-298, Information to Insured Regarding Remittance for insurance payments. Copy 2 is retained by the cashier, and copies 3 and 4 are sent with any enclosure to the Collections activity. For other Collections, the cash is deposited with the Agent Cashier as described above and the appropriate Finance activity is notified.

(2) The Collections activity prepares the input, which is identical to that of remittances drawn on foreign banks payable in foreign currencies. Copy 3 of the counter receipt is exchanged for the cash when the deposit has been prepared, and copy 4 accompanies the Deposit Ticket sent to the Accounting Section for control..

(3) Disposal of copies 2 and 3 of the counter receipt is accomplished by the cashier in the same manner as receipts for domestic items received from agent cashiers.

b. Each foreign currency is deposited on an individual Deposit Ticket which is completed in the usual manner, except the amount of deposit is not completed. The deposit is mailed to:

Federal Reserve Bank of New York
Foreign Department
New York, New York 10045

A letter with specific instructions to sell the enclosed currency and credit the dollar proceeds to the Treasurer's account must accompany each shipment to the Federal Reserve bank. The letter is prepared in quadruplicate, 3 copies to accompany the deposit with a description of each currency as to name of foreign country, medium of exchange and foreign currency amount. One copy is retained with the VA Form 4-1011, Record of Shipment of Valuables.

c. The Federal Reserve bank completes the Deposit Ticket amount of deposit and returns the accompanying copy when it sells the currency. The amount received for the currency is then coded on the pending input document which is released for computer processing.

SUBCHAPTER 5 - MANILA INSURANCE COLLECTIONS

34.21 GENERAL

a. 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 for preparation of input to credit the insured's account.

b. The control of input prepared for Manila collections must be very tight because the money is on deposit and the total of the input must agree with the amount deposited. To facilitate the control of input, the Manila items are processed in a batch independent of domestic remittances and the amounts shown on the input are totaled to verify the amount reported on VA Form 4-1622 prior to computer processing.

34.22 MANILA INSURANCE COLLECTIONS-MANILA PROCESSING (AGENT CASHIER)

a. All collections for premiums, loan and lien payments and accounts receivable payments, will be processed as follows:

(1) U.S. Dollars. All U.S. dollar items will be deposited on an SF 215, Deposit Ticket, with the eight-digit station code, 36-00-0310, and address of the Philadelphia VA Regional Office and Insurance Center. Distribution of the SF 215 will be as outlined in paragraph 34.19a, when the deposit is for credit to another VA station.

(2) Pesos. All peso items will be deposited as outlined in paragraph 34.19a, but will include at the top of the commercial deposit slip the statement "Credit 36-00-0310." Distribution of the commercial deposit slip will be as indicated in paragraph 34.19a except copy 4 will be forwarded to the Philadelphia VA Regional Office and Insurance Center for posting. An additional copy of the deposit slip will be retained at the station to support the receipts issued in conjunction therewith. Dishonored (uncollectible) peso items will be returned to the Philadelphia VA Regional Office and Insurance Center through the Manila Treasury Regional Disbursing Office on TD Form RO-188, Schedule of Uncollectible checks, showing the U.S. dollar equivalent, effective at the time of collection.

(3) Document Numbering. For control purposes, SF 215 will be numbered from the 3,000 series of numbers and the commercial deposit slips from the 4,000 series of numbers. At the beginning of every fiscal year, each series will begin with number one (e.g., 3001, 3002).

(4) Deposits of Collections. Deposits of insurance collections will be made once each week and on the last workday of each month. Upon receipt of the confirmed copies of the deposit documents, all documentation required and the confirmed copies of the deposit documents will be shipped to the Philadelphia VA Regional Office and Insurance Center, ATTN: COLLECTIONS. On the last day of each month and after the end-of-month deposit has been made, a teletype transmission will be sent to the Philadelphia VA Regional Office and Insurance Center to advise them of the last two deposit document numbers from each series, the accomplished date, amount of each deposit and a distribution of the deposit by fund. In the case of collections on accounts receivable, adequate documentation will be included with the shipment to identify the item as something other than a regular premium payment. VA Form 4-1027, Field Service Receipt - General, should be issued for accounts receivable collections.

b. If there is a VA Form 29-369, Notice of Payment Due, or other identifying information received with the payment, it will be attached to the VA Form 367 for the use of the Philadelphia VA Regional Office and Insurance Center.

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.

f. If a collection involves a record maintained at the St. Paul VA Regional Office and Insurance Center, the credit will be processed through existing procedures for interoffice transfers to move the credit to the St. Paul VA Regional Office and Insurance Center.

SUBCHAPTER 6 - MONTHLY TREASURY CHECKS FROM SERVICE DEPARTMENTS

34.24 PROCESSING

a. The monthly allotment checks are to be received via certified mail so they may be identified and separated from routine mail. The Collections activity will notify the appropriate service department any time a discrepancy is discovered in the method of shipments.

b. The purpose of the strict mailing requirements is to preclude the loss of investment earnings from the unusually large amounts of the service checks.

c. The service checks are deposited on a separate SF 215, Deposit Ticket which is so marked to indicate the type of deposit.

SUBCHAPTER 7 - SERVICEMEN'S GROUP LIFE INSURANCE (SGLI) PREMIUM PAYMENTS

34.25GENERAL

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 Philadelphia VAROIC based on quarterly reports submitted to VACO.

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), VA Regional Office and Insurance Center, Philadelphia, Pennsylvania. These extra hazard costs are also funded from the pay appropriations of the uniformed services.

c. The Program Administration Staff, under the Office of the Assistant Director for Insurance, Philadelphia VAROIC (29), is responsible for the deposit and control of receipts and for the payment of amounts due the primary insurer.

34.26PROCESSING CHECKS RECEIVED FROM UNIFORMED SERVICES

a. Premiums and extra hazard contributions are received by the Philadelphia VAROIC, via an Electronic Funds Transfer (EFT) system, and are wire-transferred to the Servicemen's Group Life Insurance Fund (36X4009).

b. The amounts received from the Uniformed Services for premiums withheld are maintained in separate accounts to distinguish between basic premiums withheld and premiums withheld from Reservists. In addition, any extra hazard contributions will be separately held and identified.

c. The receipt of funds from each of the Uniformed Services will be controlled by establishing a subsidiary record for each of the services. The Program Administration Staff will monitor for timely receipt of payments.

34.27PAYMENTS TO THE INSURER

a. Disbursements to the insurer will be made on SF 1034, Public Voucher for Purchases and Services Other Than Personal. The SF 1034 will contain a breakdown of the premiums received for active service members, and the premiums for reserve members. In addition, the voucher will contain the voucher month, the authority number, and any miscellaneous adjustments for that month. The voucher will be prepared by a member of the Program Administration Staff in the Philadelphia VAROIC, and then submitted to the Finance Division, Philadelphia, VAROIC, for processing. A copy of the voucher will be transmitted to the primary insurer simultaneously with the forwarding of the payment schedule to the Treasury Disbursing Office.

b. Amounts paid to the insurer will be maintained in separate accounts to distinguish between premiums for active duty members, Reservist premiums, and extra hazard contributions.

Veterans Benefits Administration
Department of Veterans Affairs
Washington, DC 20420

M29-1, Part I
Change 14
January 30, 1997

1. Transmitted is a revision of Chapter 34, "Insurance Collections Policy", Veterans Benefits Manual M29-1, Part I, "Insurance Operations - Policy, Rules and Requirements".
2. The purpose of this revision is to update the existing procedures in the Collections activity. Several items have been updated.
3. The extensive nature of this revision precludes the use of brackets to identify new or revised material.
4. Pages 34i through 34-17. Remove these pages and substitute pages 34i through 34-15 attached.
5. RESCISSION: Change 10 to M29-1, Part I, dated November 16, 1993.

By Direction of the Acting Under Secretary
for Benefits

Paul F. Koons
Assistant Director for Insurance

Distribution: RPC 9100
FD