

by the last will and testament, but no change of beneficiary may be made by the last will and testament. The provisions of the "beneficiary" clause in United States Government life insurance policies are hereby amended accordingly.

[17 FR 11071, Dec. 5, 1952, as amended at 46 FR 57043, Nov. 20, 1981. Redesignated at 61 FR 29024, June 7, 1996]

**§ 6.7 Claims of creditors, taxation.**

(a) Effective January 1, 1958, payments of insurance to a beneficiary under a United States Government life insurance policy shall be subject to levy for taxes due the United States by such beneficiary.

(b) The provisions of 38 U.S.C. 5301(b) which entitle the United States to collect by setoff out of benefits payable to any beneficiary under a United States Government life insurance policy do not apply to dividends being held to the credit of the insured for the payment of premiums under the provisions of section 1946 of title 38 U.S.C.

(Authority: 38 U.S.C. 5301)

[23 FR 681, Feb. 1, 1958, as amended at 24 FR 15, Jan. 1, 1959; 24 FR 582, Jan. 27, 1959; 46 FR 57043, Nov. 20, 1981. Redesignated and amended at 61 FR 29024, 29025, June 7, 1996]

OPTIONAL SETTLEMENT

**§ 6.8 Selection, revocation and election.**

The insured under a United States Government Life Insurance policy may, upon written notice, select an optional settlement. Such optional settlement may be revoked by written notice. If the insured does not select one of the optional settlements, as set out under the provisions of the policy, the insurance shall be payable in 240 monthly installments unless the beneficiary elects in writing a different option.

[61 FR 29025, June 7, 1996]

**§ 6.9 Election of optional settlement by beneficiary.**

If the insured has selected an optional settlement then at the death of the insured the designated beneficiary may elect to receive the proceeds of insurance in installments spread over a

greater period of time than that selected by the insured and in accordance with the following provisions.

(Authority: 38 U.S.C. 1952)

(a) If the insured has selected Option 1, the beneficiary may elect to receive payment under Option 2, 3, or 4.

(b) If the insured has selected Option 2 with monthly installments not in excess of 120, the beneficiary may elect to receive payment in a greater number of installments under Option 2, or may elect to receive payment under Option 3 or 4.

(c) If the insured has selected Option 2 with monthly installments in excess of 120, the beneficiary may elect to receive payment in a greater number of installments under Option 2, or may elect to receive payment under Option 3.

(d) If the insured has selected Option 3, and named no contingent beneficiary, the beneficiary may elect to receive payment under Option 4.

(e) If the insured has selected Option 4, the beneficiary may elect to receive payment under Option 3.

If the insured has selected settlement under Option 1, a beneficiary who has elected to receive payment under Option 2, 3, or 4 may elect to receive the commuted value of any remaining unpaid installments certain (240 less the number paid in case of Option 3, or 120 less the number paid in the case of Option 4): *Provided*, That where the commutation is elected under Option 3 or 4 after payment under such option has commenced, and the beneficiary survives the period certain, such beneficiary shall be entitled to the resumption of monthly installments payable for life in accordance with the monthly income option previously selected by such beneficiary. The entitlement to the resumption of monthly installments will be effective as of the monthly payment date next following the expiration of the period certain. Settlement under any one of the options or payment to the beneficiary of said commuted value under Option 2 or payment of said commuted value under Options 3 and 4 to the beneficiary who does not survive the period certain shall be in full and complete discharge of all liability under the contract. Any

other change in the mode of settlement may, within the limitations set forth in paragraphs (a) through (e) of this section, be made by a beneficiary after payment has commenced, provided the change is made within 1 year of the original election and in those instances where Option 3 is changed to Option 1 or 2; or Option 4 is changed to Option 1, 2, or 3, satisfactory proof is submitted to establish that the beneficiary's state of health is the same as it was at time of original election. The effective date of the original election for this purpose will be the date it was delivered to the Department of Veterans Affairs. If such election was forwarded by mail, properly addressed to the Department of Veterans Affairs, the postmark date will be taken as the date of delivery. Such change will be made on the premise that the new election was made initially, and the account will be adjusted accordingly. A condition precedent to any such change will be the repayment of any amount received by the beneficiary in excess of that which would have been due had the new election been made initially.

[32 FR 14274, Oct. 14, 1967, as amended at 48 FR 8069, Feb. 25, 1983. Redesignated and amended at 61 FR 29025, June 7, 1996]

#### § 6.10 Options.

Insurance will be payable in one sum only when selected by the insured during his or her lifetime or by his or her last will and testament.

[61 FR 29025, June 7, 1996]

#### DIVIDENDS

#### § 6.11 How dividends are paid.

(a) Regular annual dividends becoming payable on or after December 31, 1958, shall be payable on the date preceding the anniversary of the policy unless the Secretary shall declare them payable on some other date.

(b) If the insured has a National Service Life Insurance policy or policies in force, dividends used to pay premiums in advance will be held to the credit of the insured, unless otherwise directed by the insured.

(c) In the event premiums on more than one policy having the same premium due date are unpaid and the dividend credit of the insured for applica-

tion to payment of premiums is not sufficient to keep all policies in force, in the absence of instructions to the contrary by the insured, such dividend credit will be applied to pay premiums in such manner as will provide the maximum amount of insurance protection.

(d) Dividend credit of the insured held for payment of premiums as provided in section 1946 of title 38 U.S.C., may not be used to satisfy any indebtedness due the United States without the insured's consent. If the insured requests payment of such dividend credit, or any unused portion thereof, in cash, or requests that such credit be left to accumulate on deposit, then any indebtedness due the United States, such as described in § 6.7 will be recovered therefrom.

(e) Dividend credit of the insured held for payment of premiums or dividends left to accumulate on deposit may be applied to the payment of premiums in advance on any National Service Life Insurance policy upon written request of the insured made before default in payment of premium. Upon maturity of the policy, any unpaid dividend will be paid to the person(s) currently entitled to receive payments under the policy.

(Authority: 38 U.S.C. 1944)

[24 FR 15, Jan. 1, 1959, as amended at 25 FR 7369, Aug. 5, 1960; 28 FR 12544, Nov. 23, 1963; 32 FR 13927, Oct. 6, 1967; 48 FR 1962, Jan. 17, 1983. Redesignated and amended at 61 FR 29025, June 7, 1996]

#### § 6.12 Special dividends.

Any special U.S. Government Life Insurance dividend that may be declared shall be paid in cash. Such special dividends shall not be accepted to accumulate on deposit or as a dividend credit.

(Authority: 38 U.S.C. 1944)

[36 FR 368, Jan. 12, 1971, as amended at 48 FR 1963, Jan. 17, 1983. Redesignated at 61 FR 29025, June 7, 1996]

#### LOANS

#### § 6.13 Policy loans.

At any time after the first policy year and upon the execution of a loan agreement satisfactory to the Secretary the United States will lend to the insured on the sole security of his/