§ 7.6 Benefits.

Any policy found to be entitled to protection under the provisions of the Act will not lapse or otherwise terminate or be forfeited for the nonpayment of a premium or the nonpayment of any indebtedness or interest during the period of military service of the insured and two years after the expiration of such service. If the insured reenters military service during the two-year period following separation from such service and the policy is under the protection of the Act on the date of reentry, such reentrance shall be deemed to be a continuation of the previous military service. In such case, in the absence of written instruction from the insured to the contrary, the protection under the Act will continue during the period of military service of the insured and two years after the expiration of such service, but the guarantee will not extend for more than two years after the date when the Act ceases to be in force.

(a) For the period during which a policy is protected by the provisions of the Act, any dividends, return of premiums, or other such monetary benefits arising out of the contract or by reason thereof, will be held subject to disposal or to be applied as may be approved by the Department of Veterans Affairs.

(b) A policy will not be removed from the protection of the Act by reason of a payment made to the insurer by or on behalf of the insured, but any tender of a premium (in whole or in part) shall be applied on the indebtedness established under authority of the Act against the policy: Provided, That nothing herein shall prevent an insured from continuing payment to the insurer of premiums to cover any additional benefits (such as double indemnity, waiver of premium, etc.) where such premiums may not be included in the amount guaranteed by the Government.


§ 7.7 Maturity.

(a) The phrase maturity of a policy as a death claim or otherwise (SSCRA, as amended) will not include a termination or maturity of a policy as a disability claim, and the policy will continue under the provisions of the Act as if there had been no maturity, but the Government shall not be liable for any premiums that the insured would have been relieved of paying under any provisions for payment of premiums in the policy.

(b) Upon the expiration of the period of protection, the insurer will submit to the Department of Veterans Affairs a complete statement of the account on each policy, which will show the amount of indebtedness by reason of the premiums with interest and the credits, if any, then available and will be subject to audit and approval by the Department of Veterans Affairs. The statement of account will include the rate of interest charged on all indebtedness, the date of debit and credit entries, and such other information as may be deemed necessary in making an audit of the account.


§ 7.8 Beneficiary or assignee.

The consent of a beneficiary, assignee, or any other person who may have a right or interest in the proceeds of the policy is not a prerequisite for placing a policy under the protection of the Act.

[61 FR 29026, June 7, 1996]

PART 8—NATIONAL SERVICE LIFE INSURANCE

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Department of Veterans Affairs

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APPLICATIONS

§ 8.0 Definitions of terms used in connection with title 38 CFR, part 8, National Service Life Insurance.

(a) What does the term “good health” mean? The term good health means that the applicant is, from clinical or other evidence, free from any condition that would tend to:
(1) Weaken normal physical or mental functions; or
(2) Shorten life.

Note to paragraph (a): Conditions that would affect “good health” are diseases or injuries or residuals of diseases or injuries. A “residual” is a disability that remains following the original disease or injury.

(b) What does the term “good health criteria” mean? The term good health criteria means the underwriting standards that determine whether a person is in good health. “Good health criteria” are based whenever possible, as
§ 8.1 Effective date for an insurance policy issued under section 1922(a) of title 38 U.S.C. (Service-Disabled Veterans' Insurance).

(a) What is the effective date of the policy? The effective date is the date policy coverage begins. Benefits due under the policy are payable any time after the effective date.

(b) How is the effective date established? The effective date is the date you deliver both of the following to VA:

(1) A valid application.

(2) A premium payment.

Note 1 to paragraph (b): If your valid application and premium are mailed to VA, the postmark date will be the date of delivery.

Note 2 to paragraph (b): If a postmark date is not available, the date of delivery will be the date your valid application and premium are received by VA.

(c) Can you have a different effective date? Yes, if you would like an effective date other than the date of delivery as described in paragraph (b) of this section, you may choose one of the following three options as an effective date:

(1) The first day of the month in which you deliver your valid application and premium payment to VA. For example, if VA receives your application and premium payment on August 15, you may request an effective date of August 1.

(2) The first day of the month following the month in which you deliver your valid application and premium payment. For example, if VA receives your application and premium payment on August 15, you may request an effective date of September 1.

(3) The first day of any month up to six months prior to the month in which you deliver your valid application and premium payment. For example, if VA receives your application and premium payment on August 15, you may request an effective date of February 1. However, you must pay the following:

(i) The insurance reserve amount for the time period for each month starting with the requested effective date up to the first day of the month prior to the month in which you delivered your application to VA; and

(ii) The premium for the month in which you delivered your application to VA.

Note to paragraph (c): For example, if your postmark date is August 15 and you request an effective date of February 1, you must pay the insurance reserve amount for February 1 through July 31, and also pay the August premium.

[67 FR 54738, Aug. 26, 2002]

§ 8.2 Payment of premiums.

(a) What is a premium? A premium is a payment that a policyholder is required to make for an insurance policy.

(b) How can policyholders pay premiums? Premiums can be paid by:
(1) Cash, check, or money order directly to VA.
(2) Allotment from service or retirement pay.
(3) Automatic deduction from VA benefits (pension, compensation or insurance dividends (see §8.4)).
(4) Pre-authorized debit from a checking account.

(c) When should policyholders pay premiums?

(1) Unless premiums are paid in advance, policyholders must pay premiums on the effective date shown on the policy and on the same date of each following month. This is called the “due date.”
(2) Policyholders may pay premiums quarterly, semi-annually, or annually in advance.

(d) What happens if a policyholder does not pay a premium on time?

(1) If a policyholder pays a premium within 31 days from the “due date,” the policy remains in force. This 31-day period is called a “grace period.” If the insured dies within the 31-day grace period, VA deducts the unpaid premium from the amount of insurance payable.
(2) If a policyholder pays a premium after the 31-day grace period, VA will not accept the payment and the policy lapses effective the date the premium was due; Except that VA will accept a premium paid after the 31-day grace period as a timely payment if:
   (i) The policyholder pays the premium within 61 days of the due date; and
   (ii) The policyholder is alive at the time the payment is mailed.
(3) When a policyholder pays the premium by mail, the postmark date is the date of payment.
(4) When a policyholder pays a premium by check or money order which is not honored and it is shown by satisfactory evidence that:

   | Error by the bank | The policyholder has an additional 31 days (from the date stamped on VA’s notification letter) to pay the premium and any other premiums due through the current month. |
   | Lack of funds      | The policyholder has an additional 31 days (same as above). The premium is considered not paid. |

§8.3 Revival of insurance.

(a) If the sole reason death or total disability benefits under a policy of National Service life insurance cannot be granted is that the policy had lapsed, the insurance will be considered in force under premium-paying conditions on the date of death or the date of commencement of total disability if:

(1) On the date of lapse there were accrued dividends, not then payable, resulting from premiums paid since the last anniversary date of the policy and such dividends were equal to or greater in amount than the total of the monthly premiums which have become due from and including the date of lapse to the date of death or date of commencement of total disability, and/or
(2) At the end of the grace period for the unpaid premium causing lapse there were due and payable to the policyholder unpaid dividends, refundable premiums, pure insurance risk credits, other refundable credits or total disability benefit payments arising from the policyholder’s U.S. Government or National Service life insurance which are equal to or greater in amount than the total of the monthly premiums which have become due from and including the date of lapse to the date of death or date of commencement of total disability.

(3) For purposes of this section amounts under paragraphs (a)(1) and (2) of this section may be combined. In that case, the amount, if any, of dividend accrued under paragraph (a)(1) of this section will first be determined and the amount available under paragraph (a)(2) of this section, if any, will be added thereto for the purpose of determining if the total amount thus available is equal to or greater than the total of monthly premiums which have become due.

(4) In determining the amount of monthly premiums which have become
due under paragraphs (a)(1) and (2) of this section a shortage of 10 percent per monthly premium may be allowed for a period not to exceed 3 months.

(5) In determining the monthly premiums which have become due for adjustment purposes under paragraphs (a)(1) and (2) of this section, the premium for the monthly due date immediately preceding the date of death or date of commencement of total disability may be omitted because of the coverage provided by the allowable grace period (§8.2(d)) and if the conditions of paragraph (b) of this section are met, the premium for the second due date immediately preceding the date of death or date of commencement of total disability may be omitted.

(6) When a policy is deemed in force under premium-paying conditions by operation of this section, the amount of any shortage included in the calculation and the premium for any monthly due date omitted in the calculation will become a lien against the policy.

(7) The provisions of this section may be applied if, on the date of death, the insurance is in force under the extended term insurance provision (§8.14) and a policy loan was outstanding on the date of lapse or a dividend deposit balance was included in the cash value as determined at time of lapse.

(8) If accrued dividends under paragraph (a)(1) of this section and/or amounts due and payable under paragraph (a)(2) of this section exist in connection with more than one policy of the same veteran and one or more policies lapsed prior to the date of death or date of commencement of total disability, the amounts available will be related first to the policy or policies on which they arose if such policy or policies are lapsed. Any amount available under paragraphs (a)(1) and (2) of this section which is not required to place in force the policy upon which it arose or which is insufficient to place in force the policy upon which it arose, may be combined with similar amounts available on any other policy whenever the total of such amounts is sufficient to place another policy in force.

(9) Where more than one policy is involved and credits are not needed or are insufficient to revive the policy on which the credits arose, the credits will be used insofar as they are sufficient to revive the policy or policies under which the most insurance is payable.

(10) No total disability income provision will be considered in force under this section unless it lapsed at the same time as the life insurance contract and both the life insurance and total disability income provision can be considered in force through the same date and benefits are payable under the total disability income provision. An exception will be a paid-in-full limited pay contract on which total disability income provision premiums are due and payable to age 65.

(11) When a total disability income provision lapsed at the same time as the life insurance, the premium for the provision will be considered separately in determining if the amounts available are equal to or in excess of the monthly premiums which have become due. In such a case if the amounts available are sufficient, both the life insurance and the provision will be revived. If the amounts are insufficient for that purpose, they will be applied to revive the policy or policies with the greatest amount payable in death cases or the policy or policies providing the greatest life insurance and total disability benefit in total disability cases.

(12) Accrued dividends and/or credits on any policy of National Service or U.S. Government life insurance held by the policyholder may be considered for the purpose of this section.

(b) If the sole reason death or total disability benefits under a policy of National Service life insurance cannot be granted is that the policy had lapsed, the insurance will be considered in force on the date of death or date of commencement of total disability if,

(1) The policyholder died or became totally disabled within 61 days of the due date of the unpaid premiums, and

(2) The policy prior to the lapse had been in force for 5 years or more. In determining in-force status under this subparagraph if the original effective date of the insurance (when necessary, include predecessor contracts involving renewal, conversion or replacement reinstatement under 38 U.S.C. 1981) is 5 years or more earlier than the date of death or date of total disability and
during the 5 years immediately preceding the date of lapse the insurance has not been lapsed at any one time in excess of 6 months, the requirement will be satisfied. When insurance is considered in force under this section the amount of the monthly premium due on the date of lapse and the following monthly premium(s) will become a lien against the policy.

(3) The provisions of this section may be applied if, on the date of death, the insurance is in force under the extended term insurance provision (§8.14) and a policy loan was outstanding on the date of lapse or a dividend deposit balance was included in the cash value as determined at time of lapse.

§ 8.4 Deduction of insurance premiums from compensation, retirement pay, or pension.

The insured under a National Service life insurance policy which is not lapsed may authorize the monthly deduction of premiums from disability compensation, death compensation, dependency and indemnity compensation, retirement pay, disability pension, or death pension so due and payable must be equal to, or in excess of, the amount of the insurance premium figured on a monthly basis.

(c) The authorization may be cancelled by the insured at any time. Such cancellation will be effective on the first day of the month following the month in which it is received by the Department of Veterans Affairs.

(d) If the benefits payable to the insured are apportioned under the regulations of the Department of Veterans Affairs now in effect or hereafter issued, the deduction authorized by the insured shall be from that portion awarded to the insured under such regulations.

(e) The deduction authorized by a policyholder issued insurance under 38 U.S.C. 1925 will be automatically adjusted by the Department of Veterans Affairs to take cognizance of any premium adjustment made by the Secretary on such insurance provided the benefit payments due and payable to the insured are of an amount sufficient to pay the monthly insurance premium.

(Authority: 38 U.S.C. 1908)

§ 8.5 Authorization for deduction of premiums from compensation, retirement pay, or pension.

Deductions from benefits for the payment of premiums shall be effective on the month the authorization for such deduction is received by the Department of Veterans Affairs or on any successive month specified by the insured. Such deduction shall be applied to the
§ 8.6  Calculation of time period.

If the last day of a time period specified in §§8.2 or 8.3 or allowed for filing an application for National Service life insurance or for applying for reinstatement thereof, or paying premiums due thereon, falls on a Saturday, Sunday, or legal holiday, the time period will be extended to include the following workday.


§ 8.7  Reinstatement of National Service Life Insurance except insurance issued pursuant to section 1925 of title 38 U.S.C.

(a) Any policy which lapses and which is not surrendered for a cash value or for paid-up insurance, may be reinstated upon written application signed by the applicant, payment of all premiums in arrears, and evidence of good health as required under §8.8 (a) or (b), whichever is applicable. If a policy is not reinstated within 6 months from the due date of the premium in default, interest must be paid in addition to premiums for all months in arrears from their respective due dates at the rate of 5 percent per annum, compounded annually. The payment or reinstatement of any indebtedness against a policy must be made upon application for reinstatement, and any excess of indebtedness and interest over the reserve of the policy must be paid at that time. A lapsed National Service Life Insurance policy which is in force under extended term insurance may be reinstated within 5 years from the date extended insurance would expire upon application and payment of all premiums in arrears with the required interest. In any case in which the extended insurance under an endowment policy provides protection to the end of the endowment period, the policy may be reinstated at any time before maturity upon application and payment of the premiums with the required interest. A policy on the level term premium plan may be reinstated within 5 years of the date of lapse upon written application signed by the insured, evidence of insurability and payment of two monthly premiums, one for the month of the lapse, the other for the month of reinstatement.

(b) Reinstatement of insurance issued under section 1925, title 38 U.S.C. Any policy of insurance issued under 38 U.S.C. 1925 which has been lapsed for not more than 5 years shall be reinstated under the same provisions of paragraph (a) of this section.

(c) Effective date of reinstatements. Reinstatement is effected on the date an acceptable application and the required monetary payments are delivered to the Department of Veterans Affairs. If application for reinstatement is submitted by mail, properly addressed to the Department of Veterans Affairs, 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 date of the application for reinstatement, except where reinstatement is effected on the due date of a premium, then in such case that date shall be the reinstatement date.

(d) **Inquiry during the grace period.** When the insured makes inquiry prior to the expiration of the grace period disclosing a clear intent to continue insurance protection, such as a request for information concerning premium rates or conversion privileges, etc., an additional reasonable period not exceeding 60 days may be granted for payment of premiums due; but the premiums in any such case must be paid during the lifetime of the insured.


§ 8.8 **Health requirements.**

National Service life insurance on any plan may be reinstated if application and tender of premiums are made:

(a) Within 6 premium months including the premium month for which the unpaid premium was due, provided the applicant be 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 and furnishes satisfactory evidence thereof.

(b) After expiration of the 6-month period mentioned in paragraph (a) of this section, provided applicant is in good health (§ 8.0) on the date of application and tender of premiums and furnishes satisfactory evidence. If the insurance to be reinstated was issued under 38 U.S.C. 1922(a), 1925(b), or 1925(c) 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).


§ 8.9 **Application and medical evidence.**

The applicant for reinstatement of National Service Life Insurance, during his or her lifetime, and within 5 years after the date of lapse if the insurance was issued under 38 U.S.C. 1925, must submit a written application signed by him or her and furnish satisfactory evidence of health as required in § 8.8 at the time of application. Applicant’s own statement of comparative health may be accepted as proof of insurability for the purpose of reinstatement under § 8.8(a), but, whenever deemed necessary in any such case, report of physical examination may be required. Applications for reinstatement submitted after expiration of the applicable period mentioned in § 8.8(a) must be accompanied by satisfactory evidence of good health. If the insurance becomes a claim after the tender of the amount necessary to meet reinstatement requirements but before full compliance with the requirements of this section, and the applicant was in a required state of health at the date that he or she made the tender of the amount necessary to meet reinstatement requirements, and that there is satisfactory reason for his or her non-compliance, the Assistant Director for Insurance, VA Center, Philadelphia, Pennsylvania may, if the applicant be dead, waive any or all requirements of this section (except payment of the necessary premiums) or, if the applicant be living, allow compliance with this section as of the date the required amount necessary to reinstate was received by the Department of Veterans Affairs.

(Authority: 38 U.S.C. 1925)

§ 8.10 How paid.

(a) Except as hereinafter provided in this paragraph, a National Service Life Insurance policy shall participate in and receive such dividends from gains and savings as may be determined by the Secretary of Veterans Affairs. Dividends becoming payable after January 1, 1952, shall be payable on the date preceding the anniversary of the policy unless the Secretary shall declare them payable on some other date. Dividends are not payable on insurance:

1. Issued or reinstated under the provisions of section 602(c)(2) of the National Service Life Insurance Act, as amended, where the requirements of good health were waived at the time of such issue or reinstatement;

2. Issued under sections 620 and 621 of the National Service Life Insurance Act, as amended;

3. Issued under sections 1904(c) and 1922(a) of title 38 U.S.C.; and

4. Issued on the ordinary life plan under section 1904(d) of title 38 U.S.C., to replace the amount of insurance reduced under a modified life plan policy issued under 38 U.S.C. 1904(c); and

5. On which premiums are waived, in whole or in part, under the provisions of section 622 of the National Service Life Insurance Act, as amended, and 38 U.S.C. 1924 for the period during which such premium waiver is in effect.

(b) Unless and until VA receives a written request from the insured that National Service Life Insurance dividends be paid in cash, or that they be placed on deposit or be used to pay premiums in advance, or that they be used to pay the premiums on a particular policy or policies, or that they be used to purchase paid-up additions, any such dividends shall be held to the credit of the insured to be applied to pay monthly premiums becoming due and unpaid after the date such dividends are payable on any National Service or United States Government Life Insurance policy or policies held by the insured: Provided, That such dividend credits will be applied as of the due date of any unpaid premium.

(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 application 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) At the expiration of any term period, dividend credit of the insured held for payment of premiums will be applied to pay the required premium for renewal of term insurance unless the insured requests otherwise in writing prior to the expiration of the term period.

(e) A request for payment of dividends in cash or for other disposition will be effective as of the date the request is delivered to the Department of Veterans Affairs: If forwarded by mail, properly addressed, the postmark date will be taken as the date of delivery: If forwarded through military channels by the insured while in military service, the date the request is placed in military channels will be accepted as the date of delivery. Unless otherwise stipulated by the insured, such request will remain in force until revoked in writing signed by the insured and delivered to the Department of Veterans Affairs.

(f) Dividend credit of the insured held for payment of premiums 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, as provided in paragraph (g) of this section, then any indebtedness due the United States, such as described in § 5301 of title 38 U.S.C. will be recovered therefrom.

(g) At the written request of the insured, National Service life insurance dividends may be left to accumulate on
deposit at interest which will be credited in such manner and at such rate as the Secretary may determine: Provided, That the policy is in force on a basis other than extended term insurance or level premium term insurance. Dividend credit of the insured held for payment of premiums or dividends left to accumulate on deposit as provided in this paragraph may be applied to the payment of premiums in advance upon written request of the insured made before default in payment of a premium. Dividends on deposit under the provisions of this paragraph will be used in addition to the reserve on the policy for the purpose of computing the period of extended term insurance or the amount of paid-up insurance as provided in §§8.14 and 8.15, respectively. Any dividend credit of a person who no longer has insurance in force by payment or waiver of premiums will be paid in cash to such person. If a person has a dividend credit option on a lapsed level premium term policy or a permanent plan policy on which extended term insurance has expired and such person has another policy in force by payment or waiver of premiums, any dividend credit or unpaid dividends on the lapsed policy, in the absence of instructions from the insured to the contrary, will be transferred to the policy which is in force and will be held on such policy as a dividend credit. Such dividend credit will be deemed to have accrued on the policy which is in force. Upon maturity of the policy, any dividend on deposit, any unpaid dividend payable in cash, and any dividend credit accruing from such policy which cannot be used to pay premiums will be paid to the person currently entitled to receive payments under the policy. If the policy is not in force at death, any such unpaid dividends and dividend credits will be paid to the insured’s estate.

(h) Any insured receiving an annual dividend in cash may return such dividend check or an equivalent amount of money in order to have the dividend retained under the deposit or credit option. The return of such dividend must be made during the lifetime of the insured and before the end of the calendar year during which the dividend was paid. Dividends returned under this provision are not available for the payment of premiums, receipt of interest, or calculation of cash value prior to the postmark date of the returned check.

(h) Any insured receiving an annual dividend in cash may return such dividend check or an equivalent amount of money in order to have the dividend retained under the deposit or credit option. The return of such dividend must be made during the lifetime of the insured and before the end of the calendar year during which the dividend was paid. Dividends returned under this provision are not available for the payment of premiums, receipt of interest, or calculation of cash value prior to the postmark date of the returned check.

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§ 8.12 Payment of the cash value of National Service Life Insurance in monthly installments under section 1917(e) of title 38 U.S.C.

(a) Effective January 1, 1971, in lieu of payment of the cash surrender value in one sum the insured may elect to receive payment in monthly installments under option 2 or as a refund life income. If the insured dies before the agreed number of monthly installments have been paid, the remaining unpaid monthly installments will be payable as provided in title 38 U.S.C. 1917. Unless otherwise requested by the insured, a surrender under this section

insurance policies are hereby amended accordingly.

(g) All values, reserves, and net single premiums on participating modified life and ordinary life plan insurance issued under section 1904 (b), (d), and (e), respectively, of title 38 U.S.C. shall be based on the 1958 Commissioners Standard Ordinary Basic Mortality Table of Mortality and interest at the rate of 3 percent per annum. Values between policy years shall be proportionally adjusted.

(h) All values, reserves, and net single premiums on insurance issued under the provisions of section 1925(b) of title 38 U.S.C. and on modified life and ordinary life plans of such insurance issued under section 1904 (c), (d), and (e), respectively, shall be based on the 1958 Commissioners Standard Ordinary Basic Mortality Table and interest at the rate of 3½ percent per annum. Values between policy years shall be proportionally adjusted.

(i) All values, reserves, and net single premiums on insurance issued under the provisions of section 1925(c) of title 38 U.S.C., and on modified life, ordinary life, 20-payment life and 30-payment life plans, where appropriate, of such insurance issued under section 1904 (c), (d), and (e), respectively, shall be based on the American Experience Table of Mortality and interest at the rate of 3½ percent per annum. Values between policy years shall be proportionally adjusted.

Authority: 38 U.S.C. 1906

§ 8.14 Provision for extended term insurance—other than 5-year level premium term or limited convertible 5-year level premium term policies.  

(a) After the expiration of the first policy year and upon default in the payment of a premium within the grace period, if a permanent plan National Service Life Insurance policy other than the modified life plan has not been surrendered for cash or for paid-up insurance, the policy shall be extended automatically as term insurance. The extended term insurance shall be for an amount of the insurance equal to the face value of the policy less any indebtedness for such time from the due date of the premium in

advance notice of any change in the variable loan rate will be published in the Federal Register. A notice pertaining to variable loans which is sent to the policyholder’s last address of record will constitute sufficient evidence of notice.

(c) Subject to the provisions of paragraph (d) of this section, loan rates established pursuant to paragraph (b) of this section shall equal the yield on the Ten-Year Constant Maturities Index for U.S. Treasury Securities for the month of June of the year of calculation rounded down to the next whole percentage. Such loan rate shall be effective on the date on or after the first day of October on which the rate change is made in the insurance automatic data processing system, and shall remain in effect for not less than one year after the date of establishment. The prevailing variable loan rate shall apply to all loans granted under paragraph (b) of this section.

(d) Notwithstanding any other provisions of this section, the variable loan rate shall not exceed 12 percent or be lower than 5 percent per annum.

(Authority: 38 U.S.C. 1906)

default as the cash value less any indebtedness and a charge for administrative cost for insurance issued under 38 U.S.C. 1925, will purchase when applied as a net single premium at the attained age of the insured. For this purpose 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 extended term insurance becomes effective. The extended term insurance shall not have a loan value, but shall have a cash value.

(b) Upon default in payment of a premium within the grace period, if a modified life plan and any plan of insurance issued under 38 U.S.C. 1925, if the policy has been in force by payment or waiver of premiums for not less than 3 months nor more than 11 months, the policy shall be extended automatically as term insurance. The extended term insurance shall be for an amount of insurance equal to the face value of the policy less any indebtedness for such time from the due date of the premium in default as the reserve of the policy less any indebtedness will purchase when applied as a net single premium at the attained age of the insured. For this purpose the attained age is the age on the birthday anniversary nearest to the effective date of the policy plus the number of months from that date to the date extended term insurance becomes effective. Extended term insurance under this provision shall not have a cash or loan value. This paragraph shall be effective from and after August 2, 1948.

(c) Upon default in payment of a premium within the grace period, if a modified life plan of National Service Life Insurance has not been surrendered for cash, upon written request of the insured and complete surrender of the insurance with all claims thereunder, after the expiration of the first policy year and while the policy is in force under premium-paying conditions, the United States

§ 8.15 Provision for paid-up insurance; other than 5-year level premium term or limited convertible 5-year level premium term policies.

If a National Service Life Insurance policy on any plan other than 5-year level premium term or limited convertible 5-year level premium term plan has not been surrendered for cash, upon written request of the insured and complete surrender of the insurance with all claims thereunder, after the expiration of the first policy year and while the policy is in force under premium-paying conditions, the United States
§ 8.17 Discontinuance of premium waiver.

(a) The Secretary may require proof of continuance of total disability at any time the Secretary may deem same necessary. In the event it is found that an insured is no longer totally disabled, the waiver of premiums shall cease as of the date of such finding, and the insurance may be continued by payment of premiums, the due date of the first premium payable being the next regular monthly due date of the premium under the policy. The insurance shall not lapse prior to the date of notice to the insured of the termination of the premium waiver, whichever is the later date. Such notice shall be sent by registered mail or by certified mail and sufficient notice will be deemed to have been given when such letter has been placed in the mails by the Department of Veterans Affairs:


§ 8.16 Conversion of a 5-year level premium term policy as provided for under § 1904 of title 38 U.S.C.

National Service Life Insurance on the level premium term plan which is in force may be exchanged for a permanent plan policy upon written application by the insured and the payment of the current monthly premium at the attained age for the plan of insurance selected (except where premium waiver under 38 U.S.C. 1912 is effective). The reserve (if any) on the policy will be allowed as a credit on the current monthly premium except where premium waiver is effective. Conversion to an endowment plan may not be made while the insured is totally disabled. The conversion will be made without medical examination, except when deemed necessary to determine whether an applicant for conversion to an endowment plan is totally disabled, and upon complete surrender of the term insurance while in force by payment or waiver of premium.

(Authority: 38 U.S.C. 1904)


§ 8.17 Discontinuance of premium waiver.

(a) The Secretary may require proof of continuance of total disability at any time the Secretary may deem same necessary. In the event it is found that an insured is no longer totally disabled, the waiver of premiums shall cease as of the date of such finding, and the insurance may be continued by payment of premiums, the due date of the first premium payable being the next regular monthly due date of the premium under the policy. The insurance shall not lapse prior to the date of notice to the insured of the termination of the premium waiver, whichever is the later date. Such notice shall be sent by registered mail or by certified mail and sufficient notice will be deemed to have been given when such letter has been placed in the mails by the Department of Veterans Affairs:

§ 8.18 Total disability—speech.

The organic loss of speech shall be deemed to be total disability under National Service Life Insurance.

[67 FR 54738, Aug. 26, 2002]

§ 8.19 Beneficiary and optional settlement changes.

The insured shall have the right at any time, and from time to time, and without the knowledge or consent of the beneficiary to cancel or change a beneficiary and/or optional settlement designation. A change of beneficiary or optional settlement to be effective must be made by notice in writing signed by the insured and forwarded to the Department of Veterans Affairs by the insured or designated agent, and must contain sufficient information to identify the insured. A beneficiary designation and an optional settlement selection, but not a change of beneficiary, may be made by last will and testament duly probated. Upon receipt by the Department of Veterans Affairs, a valid designation or change of beneficiary or option shall be deemed to be effective as of the date of execution. Any payment made before proper notice of designation or change of beneficiary has been received in the Department of Veterans Affairs shall be deemed to have been properly made and to satisfy fully the obligations of the United States under such insurance policy to the extent of such payments.


PROOF OF DEATH, AGE, OR RELATIONSHIP

§ 8.20 Proof of death, age, relationship and marriage.

Whenever it is necessary for a claimant to prove death, age, relationship or marriage, the provisions found in Part 3 of this chapter will be followed.


AGE

§ 8.21 Misstatement of age.

If the age of the insured under a National Service life insurance policy has been understated, the amount of the insurance payable under the policy shall be such exact amount as the premium paid would have purchased at the correct age; if overstated, the excess of premiums paid shall be refunded without interest. Guaranteed surrender and loan values will be modified accordingly. The age of the insured will be admitted by the Department of Veterans Affairs at any time upon satisfactory proof.


EXAMINATIONS

§ 8.22 Examination of applicants for insurance or reinstatement.

Where physical or mental examination is required of an applicant for National Service Life Insurance or of an applicant for reinstatement of National Service Life Insurance, such examination may be made by a medical officer of the United States Army, Navy, Air Force, or Public Health Service, or may be made free of charge to him or her by a full-time or part-time salaried physician or a physician's assistant at a regional office or medical facility of
the Department of Veterans Affairs. 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 be made by a physician or osteopath who is not related to the applicant by blood or marriage, associated with him or her in business, or pecuniarily interested in the insurance or reinstatement of the policy. Examinations made in a foreign country by a physician duly licensed for the practice of medicine and otherwise acceptable may be accepted if submitted through the American consul. The Secretary of Veterans Affairs may require such further medical examination or additional medical evidence as may be deemed necessary and proper to establish the physical and mental condition of the applicant at the time of the application. (Authority: 38 U.S.C. 1904 and 1905)

§ 8.24 Expenses incident to examinations for insurance purposes.

Except as provided in §8.22, necessary transportation expenses incident to physical or mental examinations for insurance purposes at regional offices or medical facilities shall be furnished when the insured is ordered to report for examination at the specific request of the insurance activity concerned, or the Director of a regional office or of a medical facility. Such expenses will be borne by the United States and will be paid from the applicable appropriation of the Veterans Health Services and Research Administration. Transportation, meal and lodging requests in connection with reporting to and returning from the place of examination may be furnished the applicant, or the applicant may travel at his or her own expense and claim reimbursement for such travel on a mileage basis, provided prior authority has been given for the travel. Travel incident to such an examination by salaried employees of the Department of Veterans Affairs will be in accordance with the Federal Travel Regulations. If such an examination is made by a medical examiner on a fee basis, payment will be made at a fee not in excess of the schedule of fees in effect and approved by the Department of Veterans Affairs for medical and professional services in the State in which the examination is made. Where no approved State fee schedule is in effect or where a fee for the type of examination authorized is not listed in the approved State fee schedule in effect, such examinations will be furnished at a fee not in excess of what is reasonable and customarily charged.
§ 8.25

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


OPTIONAL SETTLEMENTS

§ 8.25 Options.

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


RENEWAL OF TERM INSURANCE

§ 8.26 Renewal of National Service Life Insurance on the 5-year level premium term plan.

(a) Effective July 23, 1953, all or any part of National Service Life Insurance on the 5-year level premium term plan, in any multiple of $500 and not less than $1,000, 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 at the applicable level premium term rate for the then attained age of the insured: Provided, That on or after September 1, 1984, National Service Life Insurance “V” 5-year level premium term rates shall not exceed the renewal age 70 term premium rate, or that on or after (the date the regulation is published as final), Veterans Special Life Insurance “RS” five-year level premium term rates shall not exceed the renewal age 70 “RS” term premium rate: Provided further, That in any case in which the insured is shown by satisfactory evidence to be totally disabled at the expiration of the term period of his or her insurance under conditions which would entitle the insured to continued insurance protection but for such expiration, such insurance, if subject to renewal under this paragraph shall be automatically renewed for an additional period of 5 years at the applicable premium rate. The renewal of insurance for any successive 5-year period will become effective as of the day following the expiration of the preceding term period, and the premium for such renewal will be the applicable level premium term rate on that day:

Provided, That no insurance is subject to renewal if the policyholder has exercised the insured’s right to change to another plan of insurance.

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

(b) Effective June 25, 1970, a 5-year level premium term policy which lapsed for nonpayment of the premium due and subsequently expired may be renewed subsequently to the expiration of the old term period provided the insured within 5 years of the date of lapse:

(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 the other for the month of reinstatement at the rate for the new term.

(3)(i) If application for reinstatement is submitted and the premiums tendered within 6 premium months after lapse, including the premium month for which the unpaid premium was due, insurance will be reinstated provided the applicant be in as good health on the date of application and tender of premiums as he was on the last day of the grace period of the premium in default and furnishes satisfactory evidence thereof.

(2) If application for reinstatement is submitted and the premiums tendered after expiration of the 6-month period mentioned in subdivision (1) of this subparagraph, insurance will be reinstated provided applicant is in good health (§ 8.0) on the date of application and tender of premiums and furnishes satisfactory evidence thereof.

§ 8.31 Total disability for twenty years or more.

Where the Disability Insurance Claims activity has made a finding of total disability for insurance purposes and it is found that such disability remained continuously in effect for 20 or more years, the finding will not be discontinued thereafter, except upon a showing that such a determination was based on fraud. The 20-year period will be treated as a new determination for purposes of the 20-year period.
be computed from the date the continuous total disability commenced, as determined by the Disability Insurance Claims activity.


§ 8.32 Authority of the guardian.

What actions does a guardian have the authority to take for insurance purposes?

The guardian of an insured or beneficiary has the authority to take the following actions:

(a) Apply for insurance or for conversion of a policy or change of plan;
(b) Reinstate a policy;
(c) Withdraw dividends held on deposit or credit;
(d) Select or change a dividend option;
(e) Obtain a policy loan;
(f) Cash surrender a policy;
(g) Authorize a deduction from benefits or allotment from military retired pay to pay premiums;
(h) Apply for and receive payment of proceeds on a matured policy;
(i) Select or change the premium payment option;
(j) Apply for waiver of premiums and total disability income benefits;
(k) Select or change settlement options for beneficiaries; and
(l) Assign a beneficiary’s interest as provided under section 1918 of title 38 U.S.C.

(Authority: 38 U.S.C. 1906)

§ 8.33 Cash value for term-capped policies.

(a) What is a term-capped policy? A term-capped policy is a National Service Life Insurance policy prefixed with “V” or Veterans Special Life Insurance policy prefixed with “RS,” issued on a 5-year level premium term plan in which premiums have been capped (frozen) at the renewal age 70 rate.

(b) How can a term-capped policy accrue cash value? Normally, a policy issued on a 5-year level premium term plan does not accrue cash value (see section 8.14). However, notwithstanding any other provisions of this part, reserves have been established to provide for cash value for term-capped policies.

(c) On what basis have the reserve values been established? Reserve values have been established based upon the 1980 Commissioners Standard Ordinary Basic Table and interest at five per centum per annum in accordance with accepted actuarial practices.

(d) How much cash value does a term-capped policy have? The cash value for each policy will depend on the age of the insured, the type of policy, and the amount of coverage in force and will be calculated in accordance with accepted actuarial practices. For illustrative purposes, below are some examples of cash values based upon a $10,000 policy at various attained ages for an NSLI “V” policy and a VSLI “RS” policy:

<table>
<thead>
<tr>
<th>Age</th>
<th>NSLI “V” cash value</th>
<th>VSLI “RS” cash value</th>
</tr>
</thead>
<tbody>
<tr>
<td>75</td>
<td>$1,494</td>
<td>$1,716</td>
</tr>
<tr>
<td>80</td>
<td>$3,212</td>
<td>$3,358</td>
</tr>
<tr>
<td>85</td>
<td>$4,786</td>
<td>$4,818</td>
</tr>
<tr>
<td>90</td>
<td>$6,249</td>
<td>$6,217</td>
</tr>
<tr>
<td>95</td>
<td>$8,887</td>
<td>$7,286</td>
</tr>
</tbody>
</table>

(e) What can be done with this cash value? Upon cancellation or lapse of the policy, a policyholder may receive the cash value in a lump sum or may use the cash value to purchase paid-up insurance. If a term-capped policy is kept in force, cash values will continue to grow.

(f) How much paid-up insurance can be obtained for the cash value? The amount of paid-up insurance that can be purchased will depend on the amount of cash value that the policy has accrued and will be calculated in accordance with accepted actuarial practices. For illustrative purposes, below are some examples of paid-up insurance that could be purchased by the cash value of a “V” and an “RS” $10,000 policy at various attained ages:

<table>
<thead>
<tr>
<th>Age</th>
<th>Paid-up “V” insurance</th>
<th>Paid-up “RS” insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>75</td>
<td>$2,284</td>
<td>$2,625</td>
</tr>
<tr>
<td>80</td>
<td>$4,452</td>
<td>$4,654</td>
</tr>
<tr>
<td>85</td>
<td>$6,109</td>
<td>$6,149</td>
</tr>
<tr>
<td>90</td>
<td>$7,421</td>
<td>$7,115</td>
</tr>
<tr>
<td>95</td>
<td>$9,331</td>
<td>$7,660</td>
</tr>
</tbody>
</table>
(g) If the policy lapses due to non-payment of the premium, does the policyholder nonetheless have a choice of receiving the cash value or paid-up insurance? Yes, the policyholder will have that choice, along with the option to reinstate the policy (see section 8.10 for reinstatement of a policy). However, if a policyholder does not make a selection, VA will apply the cash value to purchase paid-up insurance. Paid-up insurance may be surrendered for cash at any time.

(h) If a policyholder elects to receive either the cash surrender or paid-up insurance due to lapse or voluntary cancellation of a term-capped policy, may the original term-capped policy be reinstated? Yes, the term-capped policy may be reinstated but the policyholder, in addition to meeting the reinstatement requirements of term policies, must also pay the current reserve value of the reinstated policy.


PART 8a—VETERANS MORTGAGE LIFE INSURANCE

§ 8a.2 Maximum amount of insurance.

(a) Each eligible veteran is authorized up to a maximum of $90,000 in VMLI to insure his or her life during periods he or she is obligated under a mortgage protection life insurance authorized for veterans under 38 U.S.C. 2106.

(c) The term initial amount of insurance means the amount of insurance corresponding in amount to the unpaid principal of a mortgage loan outstanding on a housing unit owned or to be acquired by an eligible veteran on August 11, 1971, or on the date of approval of his or her grant made under chapter 21 of title 38 U.S.C., whichever is the later date.

(d) The term mortgage loan means any loan, lien, or other indebtedness incurred by an eligible veteran to buy, build, remodel, or enlarge a housing unit, the payment of which loan, lien, or indebtedness is secured by a mortgage lien, or other equivalent security of record, on the housing unit in the usual legal form employed in the community in which the property is situated. The term also includes refinancing of such an indebtedness to avoid a default, to consolidate liens, to renew or extend the time for payment of the indebtedness, and in cases where the housing unit is being bought, built, remodeled, or enlarged by increasing the amount of such an indebtedness.

(e) The term owned means the eligible veteran has or will acquire an interest in the housing unit which is:

(1) A fee simple estate, or

(2) A leasehold estate, the unexpired term of which, including renewals at the option of the lessee, is not less than 50 years, or

(3) An interest in a residential unit in a cooperative or a condominium type development which in the judgment of the Under Secretary for Benefits or the Director, Loan Guaranty Service, provides a right of occupancy for a period of not less than 50 years: Provided, The title to such estate or interest is or shall be such as is acceptable to prudent lending institutions, informed buyers, title companies, and attorneys, generally, in the community.