TRAINING MODULE 12
Study Plan
INSURANCE

Objective:
To learn the different types of life and other insurance plans available to veterans, and the terms and conditions associated with each type.

References:
Title 38, U.S. Code, Chapter 19
38 Code of Federal Regulations Parts 6, 7, 8, 8a, and 9
Insurance Operations Manual 29-1
VA Pamphlets:
29-9 - Service-Disabled Veterans Insurance RH Information and Premium Rates
29-77-03 - Facts About Beneficiary and Option Designations
Do You Know How the Naming of a Beneficiary or Beneficiaries and Selection of Optional Settlements Affect the Payment of Your Government Life Insurance?
29-77-4, Veterans Special Life Insurance: Information About Conversion and Premium Rates For "W" Policies
SGL 74-3, Information Pamphlet for Converting Your Servicemen's Group Life Insurance to Veterans Group Life Insurance
SGLV 78-1, Questions and Answers on Servicemen's Group Life Insurance
80-05-1, Federal Benefits for Veterans and Dependents

VA Booklet: Government Life Insurance Programs for Veterans and Servicemembers (January 2004)

Instructions:

Study the assigned materials to learn how to assist veterans and beneficiaries to apply for DVA insurance or the proceeds from the policy when appropriate.

Summary:

The Department of Veterans Affairs either directly administers or supervises the administration of eight different types of insurance programs, covering veterans and active duty service members from World War I to the present. All VA insurance activities are centralized to the VA Regional Office and Insurance Center (VAROIC) in Philadelphia, Pennsylvania. The Insurance Center formerly located at VARO St. Paul, Minnesota is closed.

UNITED STATES GOVERNMENT LIFE INSURANCE:
The oldest VA insurance program is United States Government Life Insurance (USGLI), identified by policy number prefix "K". This was established in 1919 for conversion of World War I War Risk Term Insurance, and was later made available to service members who had served after World War I, until October 8, 1940. After that date only veterans who had actually served in World War I were eligible for enrollment. All enrollments under this program were closed on April 24, 1951. As of January 1, 1983 all USGLI policies were declared paid-up, and premiums are no longer collected on them.

TRAINING MODULE 12
Study Plan

TRAUMATIC INJURY PROTECTION INSURANCE:

The TSGLI Program became effective on December 1, 2005. The program was designed to provide severely injured service members who suffer certain losses as a direct result of a traumatic injury with short-term monetary assistance. The VA's Insurance Service undertook a comprehensive review of the TSGLI program to ascertain whether additional injuries/losses should be covered, whether the program was operating effectively, and whether other improvements could be made.

Regulations published in the Federal Register November 26, 2008 implemented the changed recommended in the Year One Review.

The link below provides access to the final recommendations from this Year-One Review of the TSGLI Program, as well as detailed information on the methodologies and analyses used in the review.

http://www.insurance.va.gov/sgliSite/TSGLI/ExpandedBenefits.htm
TSGLI Year-One Review Final Recommendations

NATIONAL SERVICE LIFE INSURANCE:

With the massive expansion of the U.S. Armed Forces just before World War II, a new program, National Service Life Insurance (NSLI), identified by policy number prefixes "**V**", "**N**", or "**AN**", was opened on October 8, 1940. This was also a term insurance, with a $10,000 limit. The policies could be renewed indefinitely, with associated increases in premiums as the policy holder got older, or could be converted to a permanent plan with fixed premium rates. In 1984 premium rates for the term policies were capped at the age 70 levels. All NSLI enrollments also closed on April 24, 1951.

The NSLI policies identified by the policy number prefix "H" was issued between August 1, 1946, and December 31, 1949, to certain veterans with service-incurred disabilities. This insurance has the same premium rates and policy provisions as "V" insurance except that it is non-participating in dividends.

VETERANS' SPECIAL LIFE INSURANCE:

Beginning April 25, 1951, the Insurance Act of 1951 established the Veterans' Special Life Insurance (VSLI) program, identified by policy number prefix "**RS**," for veterans of the Korean Conflict and the immediate post-Korean period. At this time active duty service members were issued a no-cost policy for $10,000 under a program called Servicemen's Indemnity, which remained in force for 120 days after separation from service. During this 120-day period these veterans could apply for the VSLI $10,000 special term insurance, which also could be renewed indefinitely. Enrollments under the VSLI program closed on December 31, 1956. Beginning in 1959, "**RS**" policy holders could either convert to a permanent plan or exchange their "**RS**" policies for a lower premium term policy, identified by policy number prefix "**W**." These "**W**" policies had to be converted to a permanent plan before the veteran reached age 50 or they ceased coverage. In 1989 all remaining "**RS**" term policies had their premium rates capped at age 70 levels.

SERVICE-DISABLED VETERANS INSURANCE:

The Insurance Act of 1951 also established an insurance program for veterans with service-connected disabilities, the Service-Disabled Veterans Insurance (S-DVI) program, identified by policy number prefix "**RH**". This program is open to veterans who are adjudicated as having a service-connected disability of any severity (including 0%), and continues to accept new enrollees. The veteran must apply for this insurance within two years from the date of notification that service connection is established for a condition. If the veteran does not apply within that time and service connection is then later established for a new condition, the veteran will have two years from the date of notice of that (new) condition to apply. The normal policy coverage is $10,000; premiums for this may be waived if the veteran becomes totally disabled from any cause prior to age 65.

The veteran may then apply for $20,000 of supplemental coverage (for a total of $30,000), providing application is made within one year from the date the veteran is notified of eligibility for waiver of the basic premium because of total disability. However, the premiums on the supplemental coverage may not be waived. Beginning November 1, 2000, premium rates for "**RH**" policies were capped at age 70 levels.

VETERANS' REOPENED INSURANCE:

Between May 1, 1965 and May 2, 1966, certain disabled veterans who had been eligible to obtain insurance between October 8, 1940 and January 1, 1957 but did not do so were given an opportunity to apply for Government life insurance under the Veterans' Reopened Insurance (VRI) program, identified by policy number prefixes "**J**", "**JR**", or "**JS**". The disabilities could be either service-connected or nonservice-connected. All policies under this program were permanent plans, no term policies issued. Because the policy holders are disabled, premium rates are higher than standard; the rates vary according to the nature and severity of the disabilities. In October 1977 all premium-paying "**JS**" policies were declared fully paid-up, and premiums are no longer collected on these policies.

VETERANS' MORTGAGE LIFE INSURANCE (VMLI):

Veterans' Mortgage Life Insurance (VMLI) is a special mortgage life insurance issued only to those severely disabled veterans who have been issued a Special Adapted Housing grant by VA. Coverage is automatic unless the veteran specifically declines it. The maximum amount of the policy is $90,000, and coverage decreases as the amount of the mortgage decreases. The insurance is payable only upon the veteran's death, and only to the mortgage lender. VMLI is not available if the veteran is 70 years old or more when eligibility for Special Adapted Housing arises. If the home is refinanced or remortgaged, the maximum amount of insurance will not be reinstated. If the veteran is a part owner of the home, the insurance will cover only the percentage of the title in the veteran's name. The insurance coverage terminates if the mortgage is fully paid off, or if the veteran terminates ownership of the property securing the mortgage. Beginning December 6, 2002, VMLI no longer automatically terminates upon the veteran's 70th birthday.

With certain exceptions, all VA policies have provision for waiver of premiums if the policy holder becomes totally disabled prior to age 65. The total disability need not be service-connected, but must last for at least six months. USGLI policy holders who elected the "Endowment at Age 96" option do not have waiver of premiums for total disability. Totally disabled veterans who have "**RH**" policies may be granted a waiver of premiums for the basic policy ($10,000), but not for any supplemental coverage. Veterans who qualify for VMLI are totally disabled by definition, and there is no waiver of premiums. All USGLI, NSLI, VSLI, and VRI policies except for "**RH**", "**JR**", and "**JS**" also have a Total Disability Income Provision, which pays a monthly amount should the insured become totally disabled before age 65.

WAIVER OF PREMIUMS:

With certain exceptions, these policies have provisions for waiver of premiums if the policyholder becomes totally disabled prior to age 65. The total disability need not be service-connected, but must last for at least six months. USGLI policy holders who elected the "Endowment at Age 96" option do not have waiver of premiums for total disability. Totally disabled veterans who have "**RH**" policies may be granted a waiver of premiums for the basic policy ($10,000), but not for any supplemental coverage. Veterans who qualify for VMLI are totally disabled by definition, and there is no waiver of premiums. All USGLI, NSLI, VSLI, and VRI policies except for "**RH**", "**JR**", and "**JS**" also have a Total Disability Income Provision, which pays a monthly amount should the insured become totally disabled before age 65.

Insurance premiums which are not waived may be paid in any of several different ways: by direct payment (check or money order payable to VA); by allotment from service pay or military retired pay (if the insured veteran is receiving service pay or military retired pay); by deduction from VA benefits (if the veteran is receiving VA compensation or pension);

by automatic deduction from the insured veteran's checking account (VA MATIC); or by using insurance dividends to pay the premiums.

<u>DIVIDENDS:</u> There are several options for policies that pay annual dividends. Unless specified, dividends will be credited to an interest-bearing account. Options available are direct payment to the policy holder, holding the dividends in an interest-bearing account to be added to the cash value of the insurance, using the dividends to pay the premiums in advance, using the dividends to purchase additional paid-up insurance, or using the dividends to reduce indebtedness by applying them toward a loan or lien on the policy. The policy has a cash value equal to the reserve plus any dividends held on deposit plus interest, less any indebtedness. After the policy has been in force for at least one year with all premiums either paid or waived, the policy may be surrendered for its cash value upon written request. If a policy is surrendered for its cash value, it may not thereafter be reinstated. A loan for up to 94% of the value of the reserve, less any indebtedness, may be made on a policy that has been in force for at least one year with all premiums either paid or waived.

<u>BENEFICIARY:</u> The insured veteran may name any person, persons, or legal entity as the beneficiary to include corporations and estates. If the veteran has more than one policy, the same beneficiary designation(s) applies to each the same unless otherwise stated. If there is more than one beneficiary, the distribution of shares must equal 100%. Principal and contingent beneficiaries must always be clearly identified as such. All beneficiary designations must be in writing and witnessed. The insured veteran retains ownership of the policy(ies) with the right to change beneficiaries regardless of state court orders, property settlements or divorce decrees to the contrary. Ownership of the policy may not be divested from the insured, nor may it be transferred to a trust. If the veteran is adjudged by a court of competent jurisdiction to be incompetent, the legally appointed representative may make a beneficiary designation on the veteran's behalf, with the specific authorization of the court. A veteran adjudged incompetent, during a lucid moment, witnessed by a physician who must make a statement in writing that the insured had the capacity to understand the nature and consequences, may make a beneficiary designation. A last will and testament cannot be used to make a change of beneficiary. It can be used to designate a change in the chosen payment option.

<u>PROCEEDS OPTION:</u> The options for payment of the insurance proceeds can be either a lump sum or in various installments. If the installment option is selected and the beneficiary does not survive the insured, or no beneficiary lives long enough to receive all of the guaranteed installments, any available amounts left over will be paid as a lump sum to the veteran's estate or the last surviving beneficiary for USGLI policies.

When the lump sum option is selected, the proceeds are paid to the beneficiary's estate unless the insured had directed that the proceeds be paid to contingent beneficiaries. If multiple beneficiaries are named, the shares of any beneficiaries who die before the veteran does, the proceeds are paid to the surviving beneficiaries.

TRAINING MODULE 12

Study Plan

SERVICEMEN'S GROUP LIFE INSURANCE: SGLI was instituted in 1965 to meet the insurance needs of the Vietnam-era service member. Although the Government had provided life insurance to the Armed Forces since World War I, the SGLI program of protection took a different approach. Unlike the previous DVA administered programs that provided individually under-written and issued policies, the law creating SGLI provided for group coverage.

Since the program's inception, it has undergone several significant modifications to meet the changing insurance needs of those it was designed to protect. The more notable of these developments have been the program coverage expansions and increases in the maximum amount of coverage. Currently, SGLI provides up to $400,000 (beginning September 1, 2005) life insurance coverage for individuals in military service and for specified periods after separation or release from periods of reserve duty.

Persons who were discharged from service prior to September 1, 2005 and who were enrolled in SGLI continue under the previous limits: VGLI will be issued in increments of $10,000 up to a maximum of $250,000, but not to exceed the amount of SGLI coverage in effect at time of discharge from service.

In June 2001, Congress authorized insurance coverage of a service member's dependents. Service member's spouse may be covered up to $100,000 and each service member's children at $10,000 each.

Beginning December 1, 2005, an additional special Traumatic Injury Protection (TSGLI) feature is also provided to all service members who are presently covered under SGLI, and will be retroactively provided to service members who received covered injuries while serving in Operation Iraqi Freedom or Operation Enduring Freedom between October 7, 2001 and December 1, 2005. The service member may not decline this coverage unless he/she also declines basic SGLI coverage. Payments will range from $25,000 up to a maximum of $100,000. Covered traumatic injuries include permanent total blindness in one or both eyes; severance of one or both hands, or one or both feet, at or above the wrist or ankle; permanent total deafness in one or both ears; severance of the thumb and index finger of the same hand; 3° burns covering 30% or more of the face, or 30% or more of the body; hemiplegia, paraplegia, or quadriplegia; or coma or inability to carry out activities of daily living due to traumatic brain injury.

VETERANS' GROUP LIFE INSURANCE: VGLI is a program of post-separation insurance which provides for the conversion of SGLI to a five-year term policy. This program, like SGLI, is supervised by the DVA, but administered by the Prudential's Office of Servicemen's Group Life Insurance (OSGLI). Initially, VGLI provided five-year, nonrenewable term coverage to recently discharged veterans and was later extended to members of the Individual Ready Reserve and the Inactive National Guard. At the end of the five-year period, VGLI had to be converted to a commercial permanent plan policy. The policy is issued at standard premium rates regardless of the veteran's health at the time of application. Effective December 1, 1992, VGLI coverage became renewable for life in five year term periods. At the end of any term period, a member had the right to convert the insurance to an individual commercial life insurance policy.

VGLI is issued in multiples of $50,000 up to a maximum of $400,000 but not for more than the amount of SGLI coverage the member had in force at the time of separation from active duty.

TRAINING MODULE 12
Study Plan

Study Questions: Insurance

Using the assigned references and reading materials, answer the following questions:

1. The USGLI program was established to meet the needs of _________veterans.

   a. World War I
   b. World War II
   c. Korean Conflict
   d. Vietnam Era

2. In June 2001, Congress authorized insurance coverage of a service member's dependents. Service member's spouse may be covered up to $100,000.

   a. True
   b. False

3. For veterans who qualify for VMLI insurance, the maximum coverage is $_______.

   a. $55,000
   b. $75,000
   c. $90,000
   d. $115,000

4. The maximum coverage available under SGLI is $400,000 and is automatically assigned upon entry onto active duty. May the service member elect a lesser coverage?

   a. Yes
   b. No

5. A veteran who was covered under SGLI while on active duty may convert that policy to VGLI by making application within 180 days of separation from active duty.

   a. True
   b. False

6. To qualify for S-DVI coverage, a veteran must have at least one compensable (10%) service-connected disability.

   a. True
   b. False

7. Who is the beneficiary on a VMLI policy?

   a. The mortgage holder (lender) on the veteran's specially adapted house.
   b. The veteran's spouse
   c. Any co-mortgagee other than the veteran's spouse
   d. None of the above

8. A veteran name a new insurance beneficiary in his or her will?

   a. True
   b. False

9. What is the time limit for applying for coverage under the S-DVI ("RH") insurance program?

   a. Six months after separation from active duty, if the veteran has a disability
   b. One year from the date the veteran applies for service connection for a disability
   c. One year from the date VA notifies the veteran of the grant of service-connection
   d. Two years from the date VA notifies the veteran of the grant of service-connection

10. Unless specified otherwise, a beneficiary designation applies to all of the veterans insurance policies.

    a. True
    b. False

11. The spouse of a service member covered under SGLI may also be insured under SGLE, and may convert that insurance to either VGLE or to a commercial life insurance policy if application is made .

    a. True
    b. False

12. The loan value of an insurance policy which has been in effect for at least one year, with all premiums either waived or paid, is 94% of the reserve value less any indebtedness.

    a. True
    b. False

13. All veterans' insurance programs provide for waiver of premiums for total disability.

    a. True
    b. False

14. Which of the following types of NSLI policies do not provide for a Total Disability Income Provision to the basic policy?

    a. Service-Disabled Veterans' Insurance ("RH")
    b. Veterans' Service-Disabled Insurance ("JR")
    c. Veterans' Nonservice-Disabled Insurance ("JS")
    d. All of the above