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**Chapter 11 – Maturing Endowments**

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**11.01 NOTICE OF MATURING ENDOWMENT POLICY**

All policies that mature as endowments, including contracts that mature with pure endowment payable, will be paid under option 1, without prior election of such option by the insured. Four days prior to the maturity date, either a VA Form 29-8348, Information About Your Insurance (if the amount payable is $2,500 or less) or a VA Form 29-5767, Maturing Endowment Notification (if the amount payable is $2,500 or more), will be sent to the insured. It informs him or her of the maturity of the policy, the type of insurance that is maturing and that a payment for the matured contract will be sent. If the amount payable is $2,500 or more, it will also advise that if he or she is not satisfied with the method of payment and wishes to receive the proceeds under one of the available installment options, he or she should return the payment to VA and either indicate the installment option requested on the 29-5767 or any correspondence.

**11.02 SETTLEMENT OF PROCEEDS OF A MATURED ENDOWMENT POLICY**

1. 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:
2. 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.
3. 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.
4. 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.
5. When a policy matures as an endowment, the settlement of the proceeds may be affected by the insured if competent. If the insured is incompetent, settlement can be affected by the power of attorney, legal guardian or federal fiduciary. If no such agent is in effect, VA will request appointment of a fiduciary through the Regional Office by use of VA Form 29-505, Request for Information.
6. If there is evidence that a power of attorney or legal guardian has been appointed but VA Form 27-555 or VA systems (less than 6 months old) show that an individual other than that guardian has been appointed federal fiduciary, payment will be made to the fiduciary. If VA Form 27-555 or VA systems records are more than 6 months old, verification through the Regional Office is required.
7. While the default payment option for matured endowments is lump sum (option 1), the insured may also elect to be paid in equal monthly installments (36 to 240) in multiples of 12 (option 2), or in installments under the RLI (refund life income) option (option 5). The RLI became effective January l, 1971, and was authorized by Public Law 91-291. The insured may also select a combination of part in cash and the balance under one of the installment options. In addition, he or she may elect to have all or any part of the proceeds applied to pay premiums or reduce a lien or loan on any other active account.
8. 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.
9. If the insured does not indicate how he or she wishes the proceeds paid, they will be paid in one sum.
10. 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.
11. 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.
12. 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.
13. Paid-up endowment additions mature concurrently with the basic policy and will be paid under the same settlement option.
14. When an endowment policy matures with paid-up endowment additions and paid-up life additions, and there is an outstanding loan, the loan `will be paid from the proceeds of the maturing endowments.

**11.03 MATURITY OF ENDOWMENT POLICY ON DISABILITY WAIVER**

If a TDIP award is granted before the maturity of a policy, the benefit payments will continue for as long as the insured remains totally disabled, irrespective of the fact that the policy matures as an endowment.

**11.04 TYPES OF APPLICATIONS WHICH MAY BE USED FOR SETTLEMENT OF THE**

 **PROCEEDS**

No application is required for settlement of matured endowment proceeds. However, if the insured desires to elect other than lump sum (Option 1), they should submit this request either on VA Form 29-5767 or any type of document which clearly expresses their intent.

**11.05 NET AMOUNT OF PROCEEDS FOR INSTALLMENT SETTLEMENT**

1. When all premiums are paid to the maturity date, the amount of the monthly installment will be based on the face value of the policy, less any of the following:
2. Outstanding loans, loan interest
3. Statutory lien and lien interest (required by law)
4. Premiums due VA.
5. Total disability overpayment.

1. Administrative lien and interest (due to administrative error)
2. Other indebtedness, including finance and service department indebtedness.
3. An Internal Revenue Service levy may be deducted from any amount payable, but only for indebtedness of the person to whom such proceeds are payable.

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

1. If the parent policy was surrendered for reduced paid-up endowment insurance, the monthly installments will be based on the amount of paid-up insurance less indebtedness. If the parent policy lapsed and the cash value was used to purchase extended term insurance and pure endowment, the amount of the monthly installments will be based on the amount of pure endowment. The amount of pure endowment, if less than full dollars, will be rounded to the next higher dollar.

**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:

1. Unpaid dividends, including dividends for the current year.
2. Dividend credits and deposits.
3. Premium overages and unused premiums.

**11.07 ISSUANCE OF PAYMENT FOR PROCEEDS OF A MATURED ENDOWMENT**

The payment for the proceeds of a matured endowment policy will be made payable to the insured, if competent, at the address of record.

1. If the insured is incompetent:
2. And has a fiduciary appointed, the payment will be made to the fiduciary.
3. And is on Supervised Direct Pay, the procedure listed under a will be followed.
4. And has a legal guardian or power of attorney, but a fiduciary has not been appointed, payment will be made to the guardian or power of attorney.
5. And no legal guardian, power of attorney, or fiduciary is in place, VA will request appointment of a fiduciary through the Regional Office, using VA Form 29-505, Request for Information.

**11.08 DISPOSITION OF UNPAID INSTALLMENTS AT DEATH OF INSURED**

1. 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.
2. If the designated beneficiary survives the insured, the present value of the remaining installments will be paid in one sum to the beneficiary unless the insured or the beneficiary has elected to continue the installments under the option selected by the insured.

**11.09 DO NOT MATURE BASED ON AGE**

The policy of not maturing policies based on age, otherwise known as “Do Not Mature” (DNM) does not apply to endowment policies. DNM allows an insured who has reached the maximum actuarial age for their insurance contract (96, 100, or 101) to request that VA maintain the policy until their death or a later request for proceeds. The process for handling DNM policies is detailed in VA Systems training guides.

**11.10 DELAYED PAYMENT OF ENDOWMENT PROCEEDS**

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