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**Chapter 19. Change Of Plan**

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**19.01 GENERAL**

1. A permanent plan contract in force under premium-paying conditions may be exchanged, wholly or in part, in multiples of $500 but not less than $1,000 (except for the Modified Life plan) for any other permanent plan contract in the same insurance fund, with the same effective date and based on the same age, subject to the restrictions and requirements outlined below. Generally, a contract with a lower premium rate will have a lower reserve value than a contract with a higher premium rate. However, it is possible to exchange a permanent plan policy for another permanent plan policy and the premiums will be the same on each one, but the reserve value on each policy will be different. It is also possible to have different premiums on two policies, and the reserve value on the two policies will be the same. These variations from the general rule occur when the premium-paying periods are of varying lengths of time on the two contracts.
2. Generally, a permanent plan, once correctly established, may not be exchanged to 5-Year Level Premium Term (LPT) insurance. However, if a 5 LPT matures as a Special Endowment at Age 96 policy, and the insured was already receiving Total Disability Income Provision (TDIP) benefits, the term policy may be restored. The insured, upon surrender of all rights, title and interest to the endowment policy and any provision attached to it, will be entitled to the benefits which are payable under the prior term policy and the total disability provision.
3. When a plan of insurance is changed to one with a lower reserve value and the original permanent plan has been in force at the date of change less than 1 year, the difference in the reserve on the two plans of insurance may not be withdrawn in cash but may be used only for the purpose of paying premiums (including past due premiums and interest) on the amount of insurance retained under the new plan; and such premiums are not subject to withdrawal by the insured prior to the expiration of the first policy year. When the original permanent plan has been in force, at the date of change, for 12 or more months, there will be a cash value involved. The insured may elect to have the difference in reserve:
4. Withdrawn in cash; or
5. Applied in payment of future premiums on the new plan; or
6. Applied in payment of premiums on any other Government insurance contract; or
7. Applied to pay premiums in arrears and interest when reinstating any Government insurance contract; or
8. Applied toward payment of a loan or lien on any Government insurance contract.

d. Reduced paid-up insurance may not be restored to premium-paying status or changed to a different plan of insurance.

1. Under the NSLI program, if the issue age on the original permanent plan policy is 66 or older, the plan may not be changed to a 30-Payment Life or 30-Year Endowment policy. Also, if the issue age on the original permanent plan policy is 76 or older, the plan may not be changed to a 20-Payment Life or a 20-Year Endowment policy.
2. Under the S-DVI program, if the issue age on the original permanent plan policy is 70 or older, the plan may not be changed to a 30-Payment Life policy or a 30-Year Endowment policy. Also, if the issue age on the original permanent plan policy is 80 or older, the plan may not be changed to a 20-Payment Life or a 20-Year Endowment policy.

1. Under the VSLI (RS and W) program, if the issue age on the original permanent plan policy is 71 or older the plan may not be changed to a 30-Payment Life policy or a 30-Year Endowment policy. Also, if the issue age on the original permanent plan policy is 81 or older, the plan may not be changed to a 20-Payment Life or a 20-Year Endowment policy.
2. Under the VRI (J-JR-JS) program certain policies are not available at certain ages. The specific plan and the specific ages are too involved to list in this manual. For additional information, and/or calculations, contact the Actuarial Staff.
3. After limited-payment life contracts become paid-up by payment of all the required premiums, the insured may change the plan to one with a higher or lower reserve, provided all other requirements are met. Also, if the paid-up limited-payment life policy had a Total Disability Income Provision attached which was also paid-up when the plan was changed, the TDIP will be continued on the new plan as a fully paid-up rider.

**19.02 REQUIREMENTS**

1. National Service Life Insurance (Includes NSLI, VRI, VSLI, and SDVI)
2. Change to a higher reserve.

a) Present policy must be in force in premium-paying condition.

b) Present policy must be surrendered with all rights and claims.

c) An application must be submitted.

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

e) The insured must not be totally disabled.

1. Change to a lower reserve.

a) Present policy must be in force in premium-paying condition.

b) Present policy must be surrendered with all rights and claims.

c) An application must be submitted.

1. A comparative health statement must be submitted if the change is made within 1 year from the effective date of the policy.
2. On and after the first anniversary of the policy, the applicant must be in good health and must furnish satisfactory proof of same.

**19.03 APPLICATIONS**

1. VA Form 29-1549, Application for Change of Permanent Plan (Medical), should be used to apply for change of plan to a policy having a lower reserve value.
2. VA Form 29-1550, Application for Change of Permanent Plan (Non-medical), should be used to apply for change of plan to a policy having a higher reserve value.
3. A statement over the signature of the insured containing information as to the amount of insurance and plan desired will be considered as an informal application. When an informal application has been submitted and the change is to a policy with a lower reserve (NSLI, VRI, VSLI, or SDVI)), the insured must also furnish a complete physical examination report. If the change is to a higher reserve (NSLI, VRI, VSLI, or SDVI), the insured must also furnish a signed statement certifying he or she is not totally disabled.
4. If the insured does not provide a sufficient statement regarding disability, a VA Form 29-1550 will be forwarded to the insured for a reply to the question "Are you now disabled?" before the change is processed. If the question is unanswered on a formal application, an FL 29-615 will be used to obtain the certification of health.
5. If the insured indicates total disability on VA Form 29-1549 or 29-1550, the applicant will be requested to specify the nature and extent of the disability. Applications received indicating that the veteran is disabled and the nature of the disability is furnished, will be forwarded to the Live Claims Section for processing. If the insured is found totally disabled for insurance purposes, the application will be disapproved.
6. If the insured indicates they are not totally disabled on VA Form 29-1549 or 29-1550, the change of plan can be approved.

**19.04 CHANGE IN PLAN TO A POLICY HAVING A LOWER RESERVE VALUE**

1. There is no time limit as to when the change may be made. However, the change must be made on a premium due date.
2. Change of Plan Prior to First Anniversary Date of Policy: The insured must complete 29-1549 indicating they are in as good health on the date of change as they were on the effective date of the policy.
3. Change of Plan On or After The First Anniversary Date of Policy: The insured must complete 29-1549 indicating they are in good health and submit a complete medical examination report.
4. Permanent plans may not be exchanged for the Modified Life plan age 65 if the insured is insurance age 61 or older on the date of change, or to the Modified Life plan age 70 if the insurance age is 69 or older on the date of change.
5. Permanent plans under the V prefix may not be exchanged for the Special Ordinary Life plan. This plan may be obtained only by an insured with a Modified Life plan in force who replaces the insurance reduced at age 65 or 70.
6. VA will not ask the insured to return the physical policy.

**19.05 CHANGE IN PLAN TO A POLICY HAVING A HIGHER RESERVE VALUE**

1. There is no time limit as to when the change may be made except that a plan may not be exchanged for an endowment policy if, on the date of change, it would result in a matured endowment.
2. The plan may not be changed if the insured is totally disabled.
3. The insured must pay directly or by policy loan, if the policy has been in force for 12 months or more, the difference between the reserve value of the new policy and the reserve value of the old policy plus at least one monthly premium on the new policy. A lien may not be established for the difference in reserve.
4. VA will not ask the insured to return the physical policy.

**19.06 EFFECTIVE DATE OF CHANGE**

1. The effective date of change for a change of plan must always be a premium due date. The premium due date for policies issued on the 29th, 30th or 31st day of the month is the same date in each succeeding month except for the months that do not have the particular date. In these months, the effective date is the last day of the month.
2. Use the premium due date of the premium-paying (not calendar) month during which the request for change is submitted, being governed by the postmark date if mailed, by the earliest VA receiving stamp date if otherwise delivered to VA.
3. Use the premium due date of the next premium-paying (not calendar) month:

a) If the premium on the existing plan, for the amount of insurance to be changed, has been paid for the month in which the request for change was submitted.

b) If the method of payment is by allotment from service pay and premiums are being paid in advance, or by deduction from any benefits due and payable monthly by VA.

1. Future Effective Date of Change Requested by Insured

a) When a change of plan to one with a lower reserve value is requested, the change may not be made effective as of a future date which is more than 31 days after the date of the comparative health statement or the date of medical examination. The insured will be informed that if they desire a future effective date beyond 31 day limit noted above they must submit a new comparative health statement or medical examination report and a new application at the time they desire the change to be effective.

b) When a change of plan to one with a higher reserve value is requested, the applicant is advised the change will be considered provided premiums are paid to the effective date of the change, but that processing will be deferred until the requested date of change.

**19.07 REDUCTION AND/OR REINSTATEMENT AND CHANGE OF PLAN**

1. A permanent plan may be reduced in amount and the reduced amount changed to another permanent plan at the same time if all other conditions are met.
2. Lapsed insurance must be reinstated before it can be exchanged for a different permanent plan. This can be less than the original amount of insurance.
3. When only part of the full amount of insurance is to be exchanged for a contract under another permanent plan, the insurance will be reduced or divided (split) in accordance with the following:
4. The insurance may be reduced when:

a) The permanent plan has been in force more than three months but less than one year, whether lapsed or not, even if only a part is to be reinstated.

b) Part of a permanent plan, which has not lapsed and has been in force at least one year, is surrendered for cash (reduction) and the premium for the premium month in which the application was submitted has been paid.

c) Part of a lapsed permanent plan continued in force as extended term insurance is reinstated and the remaining insurance is surrendered for the cash value.

d) Part of a lapsed permanent plan on which the extended term insurance has expired, is reinstated.

1. The insurance cannot be reduced, but can be divided into contracts when:

a) Part of a permanent plan contract is changed to a different plan and the remainder is continued on the original plan.

b) Part of a permanent plan contract is allowed to lapse and is extended as term insurance or surrendered for paid-up insurance.

c) Part of a permanent plan which has not lapsed is surrendered for cash, the premium for the month in which the application is submitted has not been paid, and dividend credit is used to pay the premium for that month on the portion of insurance to be surrendered.

d) Part of a permanent plan contract in force as extended term insurance is reinstated, and the remainder is continued as extended term insurance.

1. When change of plan occurs with division, reduction, and/or reinstatement, the division, reduction, and/or reinstatement must be processed before a change of plan can occur.

**19.08 CHANGE OR WITHDRAWAL OF APPLICATION**

1. When a properly signed request for withdrawal of an application for change of plan or any other change to the original change of plan request, is received by VA, or bears a postmark date, prior to the "effective date of change," the request will be granted; otherwise, the change as originally requested, will be processed in the usual manner and the applicant informed of the necessary additional requirements to continue the insurance in the amount and plan desired.
2. When any additional evidence, such as medical evidence or other data is necessary for determination of eligibility, the insured will be given an opportunity to withdraw the application or change the amount and/or plan requested on the original application. Such request, if in order, must be postmarked or received by VA prior to submission of the requested information or other requirement.
3. When applications for reinstatement, reduction, or division and a change of plan have been submitted and an acceptable request for withdrawal of the application for change of plan only is received, the reinstatement application, reduction or division will be processed and the policyholder notified of action taken.

**19.09 DEATH OF INSURED**

1. The application for change of plan will be disapproved if:
2. The insured dies prior to meeting all the requirements.

1. The insured dies prior to the "effective date of change", even though the application is otherwise acceptable.
2. The application will be canceled if the change in plan to a higher reserve has been approved and the insured dies prior to the next premium due date after the date of change. When an application is canceled, the original permanent plan contract will be restored. Any loan amount used to pay the difference in reserve will be reversed and any difference in reserve paid by direct remittance will be included in the insurance award.

**19.10 LOAN AT TIME OF CHANGE OF PLAN (HIGHER TO LOWER RESERVE VALUE)**

If there is an outstanding loan at the time a change of plan from higher to lower reserve value is made, the outstanding indebtedness must be checked against the maximum loan value of the new contract as of the effective date of change, and if greater than the maximum loan value of the new contract, it must be reduced to an amount which will not exceed the loan value on the new plan, by deduction from the reserve credit at the same time as the change plan.

**19.11 PERSONS BY WHOM CHANGE OF PLAN MAY BE EFFECTED**

Change of plan may be made by:

1. The insured, if competent.
2. The insured through an attorney-in-fact/power of attorney, where the insured has granted insurance authority.
3. The legal guardian, committee, conservator, curator, or trustee for the insured, provided the application is supported by a court order from the court of jurisdiction if required under state law.
4. The VA-appointed fiduciary.

**19.12 CHANGE OF PLAN WITH PAID-UP ADDITIONS**

1. When a permanent plan life policy with paid-up life additions is changed to another life contract, no adjustment of the paid-up life additions is required.
2. When a permanent plan life policy with paid-up life additions is changed to an endowment contract, the paid-up life additions may be:
3. Retained as paid-up life additions, without any adjustment, or
4. Changed to paid-up endowment additions by applying the reserve of the paid-up life additions based on the basic endowment policy and the attained age of the insured, or
5. Changed to purchase the same amount of paid-up endowment additions as there were paid-up life additions with the insured paying the difference in reserve.
6. When an endowment policy with paid-up endowment additions is changed to another endowment policy, an adjustment to the paid-up endowment additions must be made.
7. On a change to an endowment policy with a lower reserve, the amount of the paid-up endowment additions may not be increased because of the change in plan. The reserve of the paid-up endowment additions on the prior policy will be determined and the amount of reserve needed to establish the same amount of paid-up endowment additions on the new endowment policy will be deducted. The difference in reserve may be paid to the insured in cash or, at his request, used to pay premiums or applied to an outstanding indebtedness.
8. On a change to an endowment policy with a higher reserve, the paid-up endowment additions will be changed by applying the reserve of the paid-up endowment additions on the prior policy to purchase a lesser amount of paid-up endowment additions based on the new basic endowment policy and the attained age of the insured or to purchase the same amount of paid-up endowment additions with the insured making payment of the difference in reserve.
9. When an endowment policy with paid-up endowment additions is changed to a life policy, the paid-up endowment additions will be changed to the same amount of paid-up life additions, with the difference in reserve paid to the insured in cash or, at the insured’s request, used to pay premiums or applied to an outstanding indebtedness.