#### Department of Veterans Affairs M29-1, Part 1, Chapter 5

**Veterans Benefits Administration April 4, 2019**

**Washington, DC 20420**

#### Key Changes

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| Changes Included in This Revision | The table below describes the changes included in this revision of Veterans Benefits Insurance Manual M29-1, Part 1, Chapter 5, Dividends.  ***Notes***:   * **M29-1, Part 1, Chapter 5, Dividends** has been rewritten in its entirety for the purpose of improving clarity and readability. Any substantive changes are itemized in the table below. * Minor editorial changes have also been made to * improve clarity and readability * add references * update incorrect or obsolete references * update obsolete terminology, where appropriate * reorganize/relocate content within **M-29. Part 1, Chapter 5, Dividends** so that it flows more logically * reassign alphabetical designations to individual blocks, where necessary, to account for new and/or deleted blocks within a topic * update the labels of individual blocks and the titles of sections and topics to more accurately reflect their content, and * bring the document into conformance with M29-1 standards. |

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| Reason(s) for Notable Change | Citation |
| Clarifies when dividends are not payable as the insurance referenced is no longer in force issued, the in-service premium waiver is no longer applicable, or dividends are now being offered on the policies | Subchapter 5.01 |
| Clarifies note that explains that earned dividends and paid-up additions are not forfeited when an insurance policy is cancelled under federal law | Subchapter 5.01 |
| Clarifies that dividends are not being paid on extended insurance arising from special ordinary life plans and removes reference to reduced paid up special endowment at 96 not receiving dividends | Subchapter 5.02 |
| Eliminates employee payroll accounts as a method of premium payment for dividend purposes as no longer applicable to the insurance programs | Subchapter 5.02 |
| Eliminates from the calculation of dividend payable months the premium due date when a policy matures due to total and permanent disability as no longer applicable to the insurance programs | Subchapter 5.04 |
| Clarifies that there are three additional options for disposition of dividends; also clarifies that paid-up additions (PUAs) are only applicable to the VSLI and VRI policies within the NSLI program | Subchapter 5.06 |
| Clarifies the effective date of a dividend change | Subchapter 5.07 |
| Eliminates reference to payroll deductions as a method to pay premiums as no longer applicable to the insurance programs and adds VAmatic deductions (deductions from bank account) | Subchapter 5.10 |
| Eliminates reference to authorized dividends on a “W” term contract as “W” policies no longer exist | Subchapter 5.10 |
| Explains when paid-up additions (PUA) became available for J, JR, and JS policyholders; also explains the one-year open season for use of accumulated dividend credits to purchase PUA; eliminates references to 1972 dividend being used to purchase PUA as no longer applicable to the insurance programs; explains the circumstances when a loan will be divided proportionally between the PUA reserves and the basic policy reserves | Prior Subchapter 5.13/New Subchapter 5.14 |
| Explains the “Net Cash” dividend option and how it applies if the dividend exceeds or is less than the annual premiums | New Subchapter 5.15 |
| Explains the “Net PUA” dividend option and how it applies if the dividend exceeds or is less than the annual premiums; also explains 10 month rule to prevent lapse | New Subchapter 5.16 |
| Explains the “Net Loan-Lien” dividend option and how it applies if the dividend exceeds or is less than the annual premiums; also explains 10 month rule to prevent lapse | New Subchapter 5.17 |
| Explains that Public Law 92-188 provided the authority to pay dividends on NSLI paid-up additions only, where no basic policy remains in force. | Prior Subchapter 5.19/New Subchapter 5.23 |
| Removes language stating that there are no dividends on PUA only or special ordinary life policies as the law has changed to allow such dividends | Prior Subchapter 5.19/New Subchapter 5.24 |
| Explains that VRI dividends are paid under the same rules as NSLI policies; provides historical information on termination dividends, special dividends and excess surplus distribution on JR and JS policies | Prior Subchapter 5.19/New Subchapter 5.25 |

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| **Reason(s) for Change** | **Citation** |
| Explains that historical dividend rate scale information is available from the Insurance staff; current dividend rates are calculated by VA systems | Subchapter 5.01 |
| Clarifies that when part of a dividend is used to pay a lien or shortage and the dividend balance is less than a $1, that balance will be kept as a premium credit on the insurance account | Subchapter 5.05 |
| Clarifies the procedures used for both telephone and written requests for a change in dividend option from the insured | Subchapter 5.07 |
| Clarifies that dividend option requests or withdrawal of dividend requests received from a federal fiduciary in the case of an incompetent insured should be processed under guidelines outlined in Chapter 6.03 of the Manual; also clarifies that payment will be directed to the director of a VA hospital in the case of an insured who is hospitalized and lacks a guardian | Subchapter 5.08 |
| Clarifies the circumstances under which dividends may be automatically applied to pay premiums | Subchapter 5.09 |
| Clarifies that payment of a dividend under the cash option will be first made by direct deposit, then by check if direct deposit is not available | Subchapter 5.12 |
| Clarifies the order of priority for which type of loans get paid first when dividends are used to reduce indebtedness, with the largest variable loan being paid first | Subchapter 5.13 |
| Clarifies the location of information on interest rates earned on dividend credit or deposit accounts; removes listing of individual interest rates for specific years | Prior Subchapter 5.14/New Subchapter 5.18 |
| Clarifies how USGLI dividends were paid if issued prior to January 1, 1959 | Prior Subchapter 5.18/New Subchapter 5.22 |
| Eliminates reference to the interest factors for the 1972 accelerated dividend as no longer applicable to the insurance programs | Prior Subchapter 23/New Subchapter 5.29 |

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| Rescissions | None |

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| Authority | By Direction of the Under Secretary for Benefits |

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| Signature | Vincent E. Markey, Director  Insurance Service |

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