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**Chapter 3 – Lapse, Revival and Reinstatement of Insurance**

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**3.01 GENERAL – LAPSE AND REVIVAL OF INSURANCE**

1. An insurance policy will lapse unless the premium is paid when due or within the grace period of 31 days or sufficient credits are available before the end of the grace period to pay the unpaid premium. The policy will remain in force during the grace period and if the policy becomes a claim within the grace period, the unpaid premium or premiums will be deducted from the proceeds payable.

1. VA Form 29-389, Notice of Lapse-No Physical Examination Required, for term or permanent plans of insurance within 6 months from the date of lapse.
2. VA Form 29-389e, Notice of Past Due Payments, for temporary records. This form may be used to apply for reinstatement.
3. When a premium is not paid within the grace period, but payment is made during the lifetime of the insured and within 61 days after the premium due date, the payment may be regularly applied as a timely payment.
4. When the insured makes inquiry before the end of the 31-day grace period disclosing a clear intent to continue insurance protection, such as request for status, conversion, etc., an additional period not to exceed 60 days may be granted for payment of premiums due. Such premiums must be paid during the lifetime of the insured.
5. An insurance policy will not lapse:

1. While the insured has authorized an allotment from military retirement pay to cover premiums for such insurance and the authorization has not been discontinued even though no deductions from pay are made, or, if made, are not transmitted to VA.
2. If the insured has authorized deductions from VA benefits in accordance with VA regulations, even though such deduction is not made, if, upon the due date of the premium, there were due and payable to the insured VA monthly benefit payments sufficient to provide the payment.
3. When it appears by satisfactory proof that the insured, or any person acting on his behalf, deposited in the mail within the grace period or in accordance with 38 CFR 8.2(d) (premium was tendered during the lifetime of the insured and within 61 days from the premium due date in an envelope addressed to VA containing money, check, draft, or money order in payment of premium.)

1. The reserve of the paid-up additions will not be used to prevent lapse of the parent policy.
2. Paid-up additions will be retained in the master record when the basic policy is lapsed or at expiration of extended insurance. The lapsed basic policy will remain on the master record as long as the paid-up additions remain in force.
3. When a policy lapses and is going to be placed on extended insurance and there are both paid-up additions on the policy and an outstanding loan, the ratio between the reserve on the paid-up additions and the reserve on the lapsed basic policy will determine the amount of loan that will be collected from the lapsed basic policy and the amount of loan that will remain on the paid-up additions.
4. If the dividend option on the date of lapse was paid-up additions, dividends payable on the extended insurance will be applied to purchase additional paid-up additions. The dividend option may not be changed to paid-up additions while the basic policy is lapsed including on extended insurance.
5. When a 5-Year Level Premium Term policyholder informs VA the insurance is not desired, the usual lapse procedures will not be taken. Instead, any credits and dividends will be paid when the policy is terminated.

**3.02 Guaranteed Values After Lapse (Permanent Plans)**

1. Permanent plan policies on a premium-paying basis for 1 year or longer have cash, loan, paid-up, and extended term insurance values. When a permanent plan, other than J, JR, JS insurance, is in force less than a year, it has extended term insurance value if premiums have been paid or waived for at least 3 months. (On or before August 2, 1948, a permanent plan policy had to be in force 1 year to have extended term insurance value.)
2. A lapsed permanent plan is extended automatically as term insurance, as long as it has been in force at least three months. The extended term insurance will be for an amount of insurance equal to the face value of the policy, less any indebtedness. It will be for such time from the date of lapse that the cash value, plus dividend deposits, less any indebtedness, will purchase when applied as a net single premium at the attained age of the insured with the following exceptions:

1. On endowment policies, protection will not extend beyond the endowment period. (The amount of reserve not needed to purchase extended term insurance to the end of the endowment period is used to purchase pure endowment. Pure endowment is payable to the insured if he is living at the end of the endowment period or to the beneficiary if the insured dies after the maturity date and before settlement is effected.)
2. On policies providing lifetime coverage, protection will not extend beyond the time the policy will mature as an endowment. (The reserve in these cases will include dividends on deposit, and the amount not required to purchase extended term insurance is payable to the insured at the time the policy is placed on extended term insurance.)
3. On modified life, the extended term insurance will be the amount of insurance in force on the date of lapse minus any indebtedness. Where extended term insurance is in force at the end of the day preceding the insured's 65th birthday on modified life @ age 65 or 70th birthday on modified life @ age 70, the amount of extended term insurance in force will be reduced by one-half.

1. If a permanent plan policy lapses before the end of the first policy year, the extended term insurance does not have a cash or loan value. If the policy lapses after the first policy year, the extended term insurance does not have a loan value but does have a cash value.

1. For the purpose of computing extended term insurance, the attained age is the age at issue of the policy plus the number of years and months from the effective date of the policy to the lapse date or date the extended term insurance becomes effective.
2. Term insurance has no extended term insurance value.

**3.03 REVIVAL OF INSURANCE**

1. A participating NSLI policy may be revived if death, total disability, or total and permanent disability benefits were not granted solely because the policy was lapsed provided:
2. The policyholder died, or became totally disabled or totally and permanently disabled before the next anniversary date of his policy following the date of lapse, and
3. The regular dividends which have accrued on the policy as the result of premiums paid since the last anniversary date and which are not payable until after the date of death or total disability of the policyholder are sufficient to have maintained that policy in force to the required date.
4. A participating or non-participating policy may be revived if death, total disability or total permanent disability benefits were not granted solely because the policy was lapsed provided:
5. The policyholder dies, or becomes totally disabled or totally and permanently disabled, and
6. There was due and payable to the policyholder on the date of lapse unpaid dividends, refundable premiums, pure insurance risk credits, other refundable credits, or total permanent disability or total disability benefits payment which are sufficient to maintain the insurance in force on a premium-paying basis to date of death, or the beginning date of total disability or the beginning date of total and permanent disability.
7. A lapsed policy will be considered in force on the date of death or date of total permanent or total disability if the sole reason death benefits or total permanent or total disability benefits cannot be granted is due to lapse provided:

1. The policyholder dies or becomes totally or totally and permanently disabled within 61 days of the due date of the premium in default, and

1. The policy prior to lapse had been in force for 5 years or more 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 monthly premium due on the date of lapse and the following monthly premium(s) will become a lien against the policy.

**3.04 TERM CAPPING**

1. Beginning on September 11, 2000, National Service Life Insurance policies prefixed with “V” or Veterans Special Life Insurance policies prefixed with “RS,” issued on a 5-year level premium term plan were capped (frozen) at the renewal age 70 premium rate.
2. 5-year level premium term plan policies generally do not accrue cash value. However, 38 CFR 8.33 provided for cash value for “V” and “RS” term-capped policies on September 11, 2000. These term- capped policies begin earning cash value when the policyholder turns 72.
3. The following options are available to term capped policyholders when their policy lapses or when their policy is canceled, upon request (Insurance Not Desired).

1. Request to receive a termination dividend as a cash payout.
2. Request to use the termination dividend to purchase paid up insurance (PUA).
3. Take no action and at final lapse the termination dividend will be used to purchase PUA.

1. PUA may be surrendered regardless of how long they have been in force. This includes “V” and “RS” term capped policies with PUA. Term capped policies with PUA may be reinstated after surrender with the five year reinstatement period.
2. If term capped policies lapse or are voluntarily terminated, they can be reinstated at any time within 5 years from the lapse or termination date, regardless of whether the policyholder received PUA or cash. The following requirements must be met to reinstate the term capped policy:

1. Term Capped Policies –Requirements for Reinstatement Within 6 Months Of Lapse

1. Submit VA Form 29-353 (Application for Reinstatement (Non-Medical – Comparative Health))
2. Reinstatement Cost

1. Two monthly premiums – the month of lapse and the month of reinstatement; and
2. Any amounts received as cash or loan as a result of receiving cash value at term capping. This may include:

1. Dividends paid as cash from PUA bought with term capped cash value.
2. Unpaid loan balance that was granted after policy was term capped and PUA were purchased with the cash value.
3. Amount received if PUA purchased with term capped cash value were surrendered for cash.
4. Amount received if term capped policy was surrendered for cash.

1. Term Capped Policies – Requirements for Reinstatement Beyond 6 Months of Lapse

1. Submit VA Form 29-352 (Application for Reinstatement (Medical))
2. Reinstatement Cost:

1. Two monthly premiums – the month of lapse and the month of reinstatement; and
2. The difference in the reserve between either the cash value received at termination of the term capped policy or the value of PUA bought with term capped cash value and the current reserve value of the reinstated policy.
3. Any of the following amounts, if applicable:

1. All or part of an unpaid loan on PUA bought with term capped cash value. The repayment amount will depend on whether or not some PUA will remain upon reinstatement. In some cases, none of the loan will have to be repaid.
2. Cash value of term capped PUA. This amount must be repaid if PUA were surrendered.
3. The reinstatement cost will be reduced by the following, if applicable:
4. Any dividends due from PUA bought with term capped cash value from the last paid dividend anniversary date to projected reinstatement date. This dividend will be used to reduce the reserve amount due.
5. Any pending premium remittance that may exist.

1. Normally, an applicant who meets the health requirements to reinstate lapsed insurance also meets the health requirements to reinstate the TDIP. The applicant must meet the requirements of good health to reinstate the TDIP that was in force to the date of lapse.

**3.05 GENERAL - REINSTATEMENT**

1. A United States Government Life Insurance or National Service Life Insurance permanent plan policy that has lapsed from nonpayment of premiums and has not been surrendered for cash or for paid-up insurance may be reinstated upon submission of an application signed by the applicant, and except as hereinafter provided, upon payment of all premiums in arrears, with interest from their several due dates to the month of reinstatement. The applicant, at the time of application and payment of the required premiums and interest, must be in the required state of health and submit evidence thereof.
2. If the last day of any time period specified or allowed for filing application for reinstatement falls due on a Saturday, Sunday, or legal holiday (Federal), the time period will be extended to include the following workday.
3. An application for reinstatement may be accepted if the amount tendered is less than the amount required for reinstatement provided:

1. The payment is not less than 90 percent of 1 monthly premium;
2. The shortage, plus any accumulated shortage and minus any overage, does not exceed 10 percent of 1 monthly premium on the amount of insurance being reinstated.

The premium shortage will be charged against the insurance, and the insured will be promptly notified that the shortage should be paid immediately to prevent a possible lapse of the insurance.

1. All reinstatements are effected on a monthly mode of premium payment regardless of the mode of premium payment at the time of lapse or the mode of premium payment desired at time of reinstatement. However, if the insured remits an amount which will pay premiums 3 or more months beyond the month of reinstatement, discount for advance premiums, including the month of reinstatement, will be allowed.

1. Dividends due and payable as of the date of reinstatement may be applied toward the cost of reinstatement provided such request accompanies or precedes the application for reinstatement.
2. If the insurance becomes a claim after tender of the amount necessary to meet reinstatement requirements but before full reinstatement requirements have been met, the Assistant Director for Insurance Operations may waive requirements for reinstatement (except monetary requirements) if the applicant is dead or, if the applicant is living, allow compliance as of the date the required amount necessary to reinstate was received by the VA, provided:

1. The applicant was in the required state of health as of the date that they paid the amount necessary to meet reinstatement requirements;
2. There is a satisfactory reason for the applicant's noncompliance.

**3.06 PERSONS ELIGIBLE TO REINSTATE**

1. A permanent plan of insurance may be reinstated by a third party by submission of premiums in arrears, with interest when required, provided one of the conditions listed below exists: (An additional requirement for J, JR, and JS policies is that requirements must be met within 5 years from date of lapse.)

1. There are 5 or more years of extended term insurance at time of reinstatement.
2. The extended term insurance will provide protection to the end of the endowment period.

1. Where medical evidence (non-comparative health period) is required, an application for reinstatement must be signed by the policyholder. Where the insured is incompetent, the application can only be signed by a court-appointed guardian or federal fiduciary.

**3.07 AMOUNT TO BE REINSTATED**

1. Term and permanent plans of insurance may be reinstated in whole or in part under certain conditions. The face amount of a policy may be reinstated even if that amount is an odd amount or less than $1,000. If less than the face amount is to be reinstated, the amount to be reinstated will be in multiples of $500 but not less than $1,000. The exception is the ordinary life plan issued in connection with the modified life plan.
2. If less than the face amount of an ordinary life plan issued in connection with the modified life plan is to be reinstated, the amount to be reinstated will be in multiples of $250 but not less than $500.

**3.08 REQUIREMENTS - TERM INSURANCE**

1. Title 38 United States Code sections 1905 and 1945 provide that lapsed term insurance may be reinstated at any time within 5 years minus one day of the date of lapse upon submission of the required health evidence and two monthly premiums - one for the month of lapse and one for the premium month in which reinstatement requirements are met. The two monthly premiums required will be one at the rate for the expired term and one at the rate for the new term if the reinstatement is effective in the following term period. Any outstanding lien must be paid or reinstated.
2. The two premiums required for reinstatement must be tendered within 31 days of the date the application for reinstatement is executed.
3. The requirements for evidence of health for reinstatement of insurance are shown below. Where the insurance to be reinstated is RH 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.

1. If the application for reinstatement and payment of premiums are submitted within 6 premium months (including the premium month of the first premium in default), a comparative health statement over the policyholder's signature is required showing that they are in as good health on the date of application and payment of premiums as they were on the last day of the grace period of the first premium in default.

​**NOTE**: VA Form 29-353 (Application for Reinstatement (Non-medical, Comparative Health)) can be submitted when lapsed less than six months. Additionally, comparative health reinstatements may be processed by the Insurance Center Telephone Unit.

1. If application for reinstatement and payment of premiums is made on or after the due date of the seventh unpaid premium, an application showing that the insured is in good health on the date of application and payment of premiums is required.

**NOTE 1**: VA Form 29-352 (Application for Reinstatement) must be submitted when lapsed more than six months.

**NOTE 2**: The VA retains the right to request a physical examination on any type of reinstatement when it is needed to develop the true state of the applicant's health.

**3.09 REQUIREMENTS - PERMANENT PLANS**

1. Insurance which has not been surrendered for its cash value or paid-up insurance may be reinstated at any time except as noted in subparagraphs (1) and (2):

1. An endowment policy must be reinstated within the endowment period.
2. A J, JR or JS policy must be reinstated within 5 years from date of lapse.

1. Payment of all premiums in arrears is required. Interest will not be charged if reinstatement is effected within 6 months from the date of lapse. When the effective date of reinstatement of a permanent plan is more than 6 months after the date of lapse, interest must be paid on the premiums in arrears. The interest charged on premiums in arrears in connection with the reinstatement of NSLI, VSLI, and VRI is 7.5 percent per annum. S-DVI interest is charged at 5 percent per annum.
2. Payment or reinstatement of outstanding loans or liens at time of lapse is required.
3. Submission of health evidence is required unless premiums in arrears and interest are submitted within 5 years of the date the extended term insurance will expire; or when the extended term insurance under an endowment policy provides protection to the end of the endowment period and payment of the required premium in arrears and interest is made before the maturity date of the policy.
4. Disabilities are not waived except that any service-connected disability (including natural progression) existing at the time RH, J, JR, or JS insurance was issued will be waived for the purpose of reinstatement if application for reinstatement is made within 1 year of the date of lapse.
5. The amount required for reinstatement must be tendered within 31 days of the date the application is executed.
6. For cases other than those referred to in subparagraph d above, the submission of health evidence is required as indicated below:

1. If application for reinstatement and payment of premiums is submitted within 6 premium months of the date of lapse, a comparative health statement is required showing that he or she is in as good health on the date of application and payment of premiums as he or she was on the last day of the grace period of the first premium in default.

**NOTE**: VA Form 29-353 (Application for Reinstatement (Non-medical, Comparative Health)) can be submitted when lapsed less than six months. Additionally, comparative health reinstatements may be processed by the Insurance Center Telephone Unit.

1. If application for reinstatement and payment of premiums is made on or after the due date of the seventh premium in default, an application showing that the insured is in good health on the date of application and payment of premiums and interest is required.

**NOTE 1**: VA Form 29-352 (Application for Reinstatement) must be submitted when lapsed more than six months.

**NOTE 2**: The VA retains the right to request a physical examination on any type of reinstatement when it is needed to develop the true state of the applicant's health.

**3.10 INFORMAL APPLICATIONS FOR REINSTATEMENT**

1. A remittance, series of remittances and/or credit which meet monetary requirements for reinstatement will be accepted as an informal application for reinstatement provided:

1. The required amount becomes available during the comparative health period and is not applicable as premiums.
2. The policyholder submits an acceptable certification of health within 31 days from the date of notification.

1. If an acceptable application for reinstatement is received prior to receipt of the certification of health, process the application. However, if the application is unacceptable, it should be considered as a supplemental certificate of health. (Example: The formal application for reinstatement was postmarked after the due date of the 7th month of lapse but within the 31-day period referred to in subparagraph (2) above.)

**3.11 INDEBTEDNESS AT TIME OF REINSTATEMENT**

The payment or reinstatement of any indebtedness against the policy must be made, with interest, at the time of reinstatement. If such indebtedness with interest exceeds the reserve of the policy at time of application for reinstatement, the amount of the excess must be paid by the applicant as a condition of the reinstatement of the indebtedness and of the policy. The applicant must pay all required indebtedness and interest in excess of the policy reserve within 31 days from the date of cancellation (date the indebtedness with interest exceeds the reserve of the policy).

**3.12 EFFECTIVE DATE OF REINSTATEMENT**

Reinstatement is effected when an acceptable application and the required monetary payments are delivered to VA. If application for the reinstatement is submitted by mail, the postmark date shall be the date of delivery. The effective date of reinstatement of the insurance shall be the premium month in which the delivery or postmark date of the application and monetary requirements for reinstatement are met.