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**Chapter 1 – Introduction**

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* 1. **GOVERNMENT LIFE INSURANCE**
1. The United States Government Life Insurance (USGLI) program was established in 1919 to handle the insurance converted from the War Risk Term Insurance of World War I. The Department of Veterans Affairs operates this program as well as additional programs established for Veterans and Servicemembers in subsequent military conflicts or service periods. These programs are segregated and administered as if they were separate life insurance companies in that separate funds have been established in the U.S. Treasury for each program. Each fund is credited with its own premium, interest, and other income. Similarly, each fund is debited with its own disbursement.

b. All applications for life insurance have been assigned policy numbers with alphabetic prefixes. These alpha prefixes serve as a ready identification of the program under which the insurance was granted. Listed below are the letter prefixes assigned and a description of the related programs with which they are identified.

**Policy Prefix - T**

War Risk Insurance authorized by the War Risk Insurance Act as amended October 6, 1917, and issued between October 6, 1917, and June 7, 1924, as yearly renewable term insurance. Policies had to be converted to USGLI not later than July 2, 1926, except when death or total permanent disability occurred before that date. Where it was impractical or impossible to convert due to the mental condition (incompetency) or the disappearance of the insured, yearly renewal insurance in force could be continued in force as long as the mental condition continued or during the continued disappearance of the insured.

**NOTE**: "I" numbers were assigned to claims for permanent and total disability benefits.

 **Policy Prefix - K**

U.S. Government Life Insurance (USGLI) started in December 1919 for conversion of War Risk Insurance to permanent plans with the 5-year level premium term plan becoming available June 2, 1926. The World War Veterans' Act of 1924 provided that veterans or servicemen who served in the Armed Forces between October 6, 1917, and July 2, 1921, were eligible to apply. Eligibility ended April 25, 1951. USGLI was issued to persons who entered active duty in the Armed Forces from June 7, 1924 until October 7, 1940.

**Policy Prefix - N**

National Service Life Insurance (NSLI) authorized by the National Service Life Insurance Act of 1940 (PL 801, 76th Congress) and issued on or after October 8, 1940, and before October 1, 1948. These term policies were issued as 5-year level premium term policies, but the first term period on policies issued prior to January 1, 1946, was automatically extended for an additional 3 years without application and without an increase in premium rate regardless of whether the insured was in or out of service by authority of Public Law 118, 79th Congress, July 2, 1945.

**Policy Prefix - AN**

Gratuitous Insurance issued to persons in the active service in the early part of World War II who had less than $5,000 Government life insurance and, during a specified period of time (1) became totally disabled as a result of injury or disease incurred in line of duty, (2) were captured, besieged, or otherwise isolated by the forces of an enemy of the United States, (3) had failed or neglected to apply for insurance, or (4) died in line of duty. (Section 602(d), National Service Life Insurance Act, as amended by Public Law 360 and Public Law 667, 77th Congress, December 20, 1941 and July 11, 1942, and other later amendments).

**NOTE**: Servicemembers granted insurance under this program were required to make application for continuation of the coverage within 6 months from the date the condition for which the insurance was granted ceased to exist. The insurance was non-participating until such time as the insured started paying premiums.

**Policy Prefix - V**

National Service Life Insurance (NSLI) issued after October 8, 1940, as permanent plans of insurance and on or after October 1, 1948, as 5-year level premium term insurance (new issue or renewal of N policies). The original law provided that insurance be issued initially on the term plan with the privilege of converting to a permanent plan after the insurance had been in force for one year. The right to apply for this insurance ended April 25, 1951.

**Policy Prefix - H**

National Service Life Insurance (NSLI) issued between August 1, 1946, and December 31, 1949 (both dates inclusive), to veterans who were eligible for NSLI but could not meet health requirements for issue or reinstatement because of disabilities resulting from or aggravated by active service between October 8, 1940, and September 2, 1945.

The ‘Veterans Programs Enhancement Act of 1998’ (Public Law 105-368), dated November 11, 1998, contained provisions to merge "H" policies into the regular NSLI "V" policies. Under the new law, all "H" policies were converted to "V" policies effective January 1999. Converted policies now have the same premium rates and policy provisions as "V" policies. "H" policyholders also now receive dividends. The merger of these policies into the NSLI fund required a one-time transfer of $4.4 million in 1999 from the VI&I fund to the NSLI fund.

**Policy Prefix - RH**

Service Disabled Veterans' Insurance (S-DVI) issued to Veterans separated from service on or after April 25, 1951, with service-connected disabilities who are in good health except for such disabilities. Applications for this insurance must be submitted within 2 years from the date of notification by the VA that a disability is service-connected (38 U.S.C. 1922(a)).

**Policy Prefix - SRH**

Supplemental Service-Disabled Veterans Insurance coverage was established on December 1, 1992. Veterans who have basic S-DVI coverage, are totally disabled, and have their premiums waived may apply for additional coverage of up to $30,000 under the Supplemental S-DVI program. Premiums for Supplemental S-DVI coverage, however, cannot be waived. S-DVI policyholders are eligible for supplemental coverage if: 1) they are granted a waiver of premiums on their S-DVI policy due to total disability, 2) they apply for the coverage within one year from notice of the grant of waiver and 3) they are under age 65.

**Policy Prefix - ARH**

Gratuitous Insurance issued on or after April 25, 1951, in death cases in which the veteran was eligible to apply for RH insurance but was mentally incompetent due to a service-connected disability (38 U.S.C. 1922(b)(1)).

**Policy Prefix - RS and W**

Veterans Special Term Insurance issued between April 25, 1951, and December 31, 1956 (both dates inclusive), as 5-year level premium term insurance to veterans who applied within 120 days following separation from service (RS). Effective January 1, 1959 to September 1, 1960 or age 50, these policies could be exchanged for a limited convertible term policy or converted to a permanent plan policy (W) (38 U.S.C. 1923).

**Policy Prefix - J**

Veterans Reopened (Service-Disabled Standard) Insurance issued between May 1, 1965, and May 2, 1966, (both dates inclusive) to veterans who had active military service between October 8, 1940, and April 25, 1951, or who entered active duty on April 25, 1951, or later and were separated before January 1, 1957. Eligible applicants had to have a service-connected disability other than dental and meet standard health requirements. They were granted protection at standard rates. (Persons on active duty with the Armed Forces were not eligible. They were eligible if they met the above requirements and were discharged during the one year reopened period.) (38 U.S.C. 1925)

**Policy Prefix - JR**

Veterans Reopened (Service-Disabled Rated) Insurance issued from May 1, 1965, through May 2, 1966 (both dates inclusive) to veterans meeting service eligibility dates required for "J" insurance and whose service-connected disability alone prevented them from meeting good health requirements. Eligible applicants under this phase of the program were offered insurance at substandard premium rates. (38 U.S.C. 1925)

**Policy Prefix - JS**

Veterans Reopened (Non-Service Disabled) Insurance issued from May 1, 1965, through May 2, 1966 (both dates inclusive) to veterans meeting service eligibility dates for "J" insurance and who had a non service-connected disability which alone or in combination with a service-connected disability impaired their health so severely that commercial companies would not insure them even with high extra premium charges. Disability must have been in existence on October 13, 1964. Eligible applicants under this phase of the program were offered insurance with extra rates added to the standard premium based on the severity of their impairments.

These policies provide that in the event of death within the first 12 months after issue resulting from, or in any way traceable to, the disability or disabilities existing at time of issue of the policy, or in the event of suicide in the same one year period, the liability for payment will be limited only to the premiums paid on the policy. (38 U.S.C. 1925)

Note on J Series policies: From May 1, 1965, through May 2, 1966, NSLI was reopened to issue policies to certain disabled veterans. Veterans who had active military service from October 8, 1940, and through April 24,1951, or who entered active duty on April 25, 1951, or later and were separated before January 1, 1957, and had service-connected disabilities, and could meet standard health requirements were issued policies prefixed by the letter J. Persons on active duty could not buy this insurance. Veterans meeting the same eligibility dates, but whose service-connected disabilities prevented them from meeting good health requirements, were issued policies prefixed with the letters JR. These JR policies were issued at substandard premium rates. Those veterans meeting the same eligibility dates as for J and JR insurance, but who had non-service-connected disabilities which alone, or in combination with service-connected disabilities, impaired their health to make them totally uninsurable commercially, were issued policies prefixed with the letters JS. Those veterans had to have their disabilities as of October 13, 1964.

**Policy Prefix – VMLI**

The Veterans' Mortgage Life Insurance program was established in 1971 to provide mortgage protection insurance to service-disabled veterans who receive Specially Adapted Housing Grants from VA. Under 38 U.S.C. 2106(g), the amount of VMLI coverage for a veteran is the amount necessary to pay the veteran's mortgage indebtedness in full, except as limited by section 2106(b) or “regulations prescribed by the Secretary under this section.” Effective December 2002, VMLI policyholders can retain coverage past the age of 70. Originally the amount of VMLI available was $30,000. On October 1, 1976, VMLI maximum coverage was increased to $40,000. On December 1, 1992, VMLI maximum coverage was increased to $90,000. On October 1, 2011, the maximum coverage of VMLI was increased to $200,000.

**NOTE**: The Servicemen's Indemnity and Insurance Acts of 1951 provided a free indemnity of up to $10,000 for death of persons in the active service with the armed forces and certain others. The acts were signed by the President on April 25, 1951, as Public Law 23, 82d Congress. The Law became effective on the same date; however, the indemnity coverage was retroactive to June 27, 1950. The indemnity protection ended December 31, 1956, under the Survivor Benefits Act (Public Law 881, 84th Congress), except where waiver of premium under section 622 (38 U.S.C. 1924) remained in force.

The following prefixes were assigned to total disability income riders (NSLI). They were assigned for control accounting purposes to assure disability premiums would be deposited in the proper funds. They were not made known to the insured. They are no longer assigned.

**Prefix - ND**

Assigned to riders attached to N, V, or H policies and when premiums on the total disability income provision were to be deposited in the NSLI fund.

**Prefix - HD**

Assigned to riders prior to January 1, 1950, attached to N, V, or H policies when premiums on the total disability income provision were to be deposited in the NSLI appropriation.

**1.02 PLANS OF INSURANCE (USGLI)**

a. The 5-year level premium term policy provides for a level premium rate for a period of 60 months (5 years). Such a policy can be converted to a permanent plan of insurance at any time the term insurance is in force. The term insurance can also be renewed for successive 5-year periods at increased rates based on the age of the insured on the date of renewal. Public Law 91-291, effective June 25, 1970, provides that term policies are eligible for reinstatement within 5 years of the date of lapse. Prior to July 23, 1953, a term policy ceased at the end of the term period unless it was renewed by application or converted to a permanent plan of insurance. Public Law 148, 83d Congress, approved July 23, 1953, provided for automatic renewal of term policies which were not lapsed at the end of the term period. (The law does not apply to any term policy for which the term period expired prior to July 23, 1953.)

b. Permanent plans of insurance are described below:

1. Ordinary Life Policy-A straight life policy which provides the maximum amount of protection for the life of the insured for a minimum level premium. Premiums are payable throughout the lifetime of the insured.
2. 20-Payment Life Policy-A limited payment life policy which provides that premiums shall be payable for 20 years. At the end of that period, premium payments cease and the insurance becomes paid up for the face value of the policy. This policy, when paid up, continues to participate in dividends.
3. 30-Payment Life Policy-A limited payment life policy which provides that premiums shall be payable for 30 years. At the end of that period, premium payments cease and the insurance becomes paid up for the face value of the policy. This policy, when paid up, continues to participate in dividends.
4. 20-Year Endowment Policy-A limited payment endowment policy which provides that premiums shall be payable for 20 years. At the end of that period, the net amount of insurance is payable to the insured in one lump sum or in installments, at the option of the insured.
5. 30-Year Endowment Policy-A limited payment endowment policy which provides that premiums shall be payable for 30 years. At the end of that period, the net amount of insurance under the policy is payable to the insured in one lump sum or in installments, at the option of the insured.
6. Endowment at Age 62 Policy-The endowment at age 62 policy provides that premiums shall be payable throughout the endowment period. The endowment period is the number of full policy years, which, added to the age of the insured at the effective date of the policy, equals 62. At the end of the endowment period, the amount of insurance under the policy is payable to the insured in one lump sum or in installments, at the option of the insured.
7. 5-Year Convertible Term (Whole Life)- This plan is a combination of term (first 5 years) and ordinary life. The premium was computed by adding 5 years to the age of issue and then obtaining the premium rate for that age from the Ordinary Life Table of Premium Rates. Loan and cash values commenced at the end of the sixth policy year.
8. Special Endowment at Age 96 Plan-A special endowment plan available to term policyholders on or after the insured's 65th birthday. The policy is similar to other standard USGLI policies, except that it cannot be antedated, exchanged, converted, or reconverted to any other plan of insurance and it does not mature because of total permanent disability. The insured, however, may include in such endowment policy a provision for waiver of premiums on the policy by application at the same time they exchange the term policy and by payment of the extra premium prescribed.
9. EXCEPTION: If it is determined that the term policy matured because of total permanent disability or the insured was entitled to total permanent disability benefits prior to exchange of the special endowment, the insured will be entitled to the benefits which are payable under the prior term policy and total disability provision upon surrender of the present policy. In such case, the cash value less any indebtedness on the endowment policy will be refunded, together with any premiums paid for the disability provision attached thereto.

**1.03 PLANS OF INSURANCE (NSLI – TERM PLANS)**

1. The 5-year level premium term policy, issued or renewed under V, H, RH or RS policy numbers, provides for a level premium rate for a period of 60 months (5 years) after which the policy ceases and becomes void, except when renewed for an additional 5 years or converted or exchanged to some other plan of insurance. Public Law 91-291, effective June 25, 1970, provides that term policies are eligible for reinstatement within 5 years of the date of lapse. Effective July 23, 1953, a policy issued on a 5-year level premium term plan which has not been exchanged or converted to a permanent plan and which is not lapsed at the end of the term period, will be automatically renewed for a successive 5-year period at the increased premium rate based on the age of the insured on the date of renewal.

b. Before January 1, 1959, a policy issued under section 621 of the National Service Life Insurance Act (RS), as amended, could not be converted or exchanged for a permanent plan of insurance. On or after that date an RS policy may be converted or exchanged to a permanent plan of insurance or to the limited convertible 5-year level premium term plan (W).

1. The limited convertible 5-year level premium term plan (W) is similar to the 5-year level premium term plan except that it cannot be issued or renewed after the insured's 50th birthday. (It could be issued above age 50 for one 5-year term period between January 1, 1959, and September 1, 1960.) The policy will cease and become void at the expiration of the final term period except when converted to a permanent plan of insurance. If the insured is totally disabled at the expiration of the term period ending on or after his or her 50th birthday and is entitled to continued protection and waiver of premiums under 38 U.S.C. 1912, the term insurance, in the absence of instructions from the insured to the contrary, will automatically be converted in the same amount to an ordinary life policy.

**1.04 PLANS OF INSURANCE (NSLI – PERMANENT PLANS)**

1. The permanent plans of insurance are: ordinary life, 20-payment life, 30-payment life, 20-year endowment, endowment at age 60, and endowment at age 65, modified life -age 65, modified life -age 70, and one-year net single premium endowment.
2. The permanent plans are described below:
3. Ordinary Life Policy-A straight life policy which provides the maximum amount of protection for the life of the insured for a minimum level premium. Premiums are payable throughout the lifetime of the insured.
4. 20-Payment Life Policy-A limited payment life policy which provides that premiums shall be payable for 20 years. At the end of that period, premium payments cease and the insurance becomes paid up for the face value of the policy.
5. 30-Payment Life Policy-A limited payment life policy which provides that premiums shall be payable for 30 years. At the end of that period, premium payments cease and the insurance becomes paid up for the face value of the policy.
6. 20 Year Endowment Policy-A limited payment endowment policy which provides that premiums shall be payable for 20 years. At the end of that period, the full amount of insurance is payable to the insured in one lump sum or in installments, at the option of the insured.
7. Endowment at Age 60-A limited payment endowment policy which provides that premiums shall be payable throughout the endowment period. The endowment period is the number of full policy years which, added to the age of the insured at the effective date of the policy, equals 60. At the end of the endowment period, unless the policy matures sooner by death, the full amount of the policy is payable to the insured in one sum or in installments, at the option of the insured.
8. Endowment at Age 65-The endowment at age 65 is similar to the endowment at age 60 except that the endowment period is the number of full policy years, which added to the age of the insured at the effective date of the policy, equals 65.
9. Modified Life at Age 65 - A Modified Life Age 65 policy provides coverage for the face amount of the policy, less indebtedness, up to the insured's 65th birthday. At the end of the day before the insured's 65th birthday, the amount of insurance is automatically reduced by one-half. The premium, however, is not reduced and must be paid for life. If the insurance is inforce on a premium paying basis on the day before the insured's 65th birthday, the insured may, without medical examination, replace the amount that is reduced by purchasing before his or her 65th birthday the same or lesser amount on a Special Ordinary Life plan for "V" and "H" policies or an Ordinary Life plan for "J", "RH" and "W" policies (see Note below for "JR" policies). The new policy will be effective on his or her 65th birthday. (The amount to be granted must be in multiples of $250, but not less than $500, and not in excess of one-half of the face amount of the Modified Life policy in force.) If premiums are being waived due to total disability on the insured's 65th birthday, the amount that is reduced will automatically be replaced. The premium rate for the Special Ordinary Life plan ("V" and "H" policies) will be for the attained age of the insured, and will be based on the same mortality tables and interest rate as the insurance issued under the Modified Life plan. (The premium rates for Special Ordinary Life policies in the "V" and "H" funds are different from those of standard Ordinary Life policies.) The applicant must apply for the Modified Life plan prior to attaining the insurance age of 61 years.
10. Modified Life Age 70 - A Modified Life Age 70 policy provides coverage for the face amount of the policy, less indebtedness, up to the insured's 70th birthday. At the end of the day before the insured's 70th birthday, the amount of insurance is automatically reduced by one-half. The premium, however, is not reduced and must be paid for life. If the insurance is in force on a premium paying basis on the day before the insured's 70th birthday, the insured may, without medical examination, replace the amount that is reduced by purchasing before his or her 70th birthday the same or lesser amount on a Special Ordinary Life plan for "V" and "H" policies or an Ordinary Life plan for "J", "RH" and "W" policies (see Note below for "JR" policies) to be effective on his or her 70th birthday. (The amount to be granted must be in multiples of $250, but not less than $500, and not in excess of one-half of the face amount of the Modified Life policy in force.) If premiums are being waived due to total disability on the insured's 70th birthday, the amount that is reduced will automatically be replaced. The premium rate for the Special Ordinary Life plan ("V" and "H" policies) will be for the attained age of the insured and will be based on the same mortality tables and interest rate as the insurance issued under the Modified Life plan. The premium rates for Special Ordinary Life policies in the "V" and "H" funds are different from those of standard Ordinary Life policies.

**NOTE**: The replacement policy for "JR" policies should be the least expensive life plan in the rate book. Thus, for issuance age 65 on special class premiums 150 percent through 300 percent, the policies will be issued as 30-Payment Life and for special class premiums 400 percent and 500 percent, the policies will be issued a 20-Payment Life. For issuance age 70, on all special class premiums, the policies will be issued a 20-Payment Life. At the insured's request, any other policy available for ages 65 or 70 may be issued.

1. No one-year net single premium endowment policies were issued. However, such a policy was available on or after May 1, 1965 and prior to May 3, 1966, to eligible veterans who could not meet health requirements because of a non-service connected disability or a combination of service connected and non-service connected disabilities. The policy would provide coverage during the first policy year for death arising from any cause. It required payment in advance of a single premium of $966.18 for each $1,000 of insurance and a one-time administrative cost of $15. No portion of the premium could be waived because of total disability. The policy had a net cash value in excess of the premium but had no loan, paid-up or extended insurance value. It could not be exchanged for a policy on any other plan of insurance.

**1.05 ADMINISTRATIVE COST**

1. Except as provided in sections 1920(c), 1923 (d), and 1955(c) of this title, the United States shall bear the cost of administration in connection with this chapter, including expenses for medical examinations, inspections when necessary, printing and binding, and for such other expenditures as are necessary in the discretion of the Secretary.
2. For each fiscal year, the Secretary shall reimburse the “General operating expenses” account of the Department for the amount of administrative costs determined under paragraph (2) for that fiscal year. Such reimbursement shall be made from any surplus earnings for that fiscal year that are available for dividends on such insurance after claims have been paid and actuarially determined reserves have been set aside. However, if the amount of such administrative costs exceeds the amount of such surplus earnings, such reimbursement shall be made only to the extent of such surplus earnings. (38 U.S.C. 1920(c) - NSLI Fund; 38 U.S.C. 1923(d) - VSLI Fund; 38 U.S.C. 1955(c) - USGLI Fund)
3. The Secretary shall determine the administrative costs to the Department for the fiscal year, which in the judgment of the Secretary, are properly allocable to the provision of National Service Life Insurance, United States Government Life Insurance and Veterans’ Special Life Insurance (and to the provision of any total disability income insurance added to the provision of such insurance).
4. The law only placed these provisions in effect with respect to fiscal year 1996. \*

1. \* Since 1997, the annual appropriation bill allowed for the reimbursing of General operating expenses from NSLI, VSLI and USGLI, extending the payment of administrative expenses beyond 1996. The language in the annual appropriation bill is as follows:

Sec. 208. <<NOTE: Reimbursement.>> Notwithstanding any other provision of law, during fiscal year 20xx, (year that Sec. 208.is enacted) the Secretary of Veterans Affairs shall, from the National Service Life Insurance Fund under section 1920 of title 38, United States Code, the Veterans' Special Life Insurance Fund under section 1923 of title 38, United States Code, and the United States Government Life Insurance Fund under section 1955 of title 38, United States Code, reimburse the "General Operating Expenses, Veterans Benefits Administration'' and `"Information Technology Systems'' accounts for the cost of administration of the insurance programs financed through those accounts: Provided, that reimbursement shall be made only from the surplus earnings accumulated in such an insurance program during fiscal year (year that Sec. 208. is enacted) that are available for dividends in that program after claims have been paid and actuarially determined reserves have been set aside. Provided further, that if the cost of administration of such an insurance program exceeds the amount of surplus earnings accumulated in that program, reimbursement shall be made only to the extent of such surplus earnings.

<<NOTE: Determination.>> Provided further, that the Secretary shall determine the cost of administration for [the applicable] fiscal year which is properly allocable to the provision of each such insurance program and to the provision of any total disability income insurance included in that insurance program.

1. An additional amount to cover administrative cost is charged for J, JR, and JS policies and the charge may be adjusted at the Secretary’s discretion at intervals of not less than 5 years.\*\*

\*\*The VA Administrator approved (June 5, 1987) that the cost portion of Veterans' Reopened Insurance (VRI) (J, JR, & JS) premium be reduced to zero for all policyholders and that VRI’s administrative expenses be deducted from the program’s gains alone and shared equally by all of the policyholders in the VRI program.

1. For Service-Disabled Veterans Insurance, as provided in 38 U.S.C. 1922(a)(5), administrative support is financed by the appropriations for “General Operating Expenses, Department of Veterans Affairs” and “Information Technology Systems, Department of Veterans Affairs” and shall be paid from premiums credited to the S-DVI Fund. Payments for claims against the fund and for amounts in excess of amounts credited (after such administrative costs have been paid), shall be paid from appropriations to the fund.

**1.06 ASSIGNMENTS**

1. The proceeds of Government life insurance are not assignable by the insured. With the exception of insurance granted under the provisions of 38 USC 1922(b), assignment of all or any part of the beneficiary's interest may be made by a designated beneficiary to a permitted class of beneficiaries. The contingent beneficiary, if any, must join the beneficiary in the assignment unless the proceeds are payable to the principal beneficiary in a lump sum.
2. The United States assumes no responsibility for the validity of any assignment, and an assignment will be binding only if in writing and filed with VA. Any such assignment will be ineffective as to proceeds paid prior to receipt of same in VA.
3. The permitted classes of beneficiaries for assignment of NSLI include widow, widower, child, father, mother, grandfather, grandmother, brother or sister of the insured. USGLI policies permit assignment to spouse, child, grandchild, parent, brother, sister, uncle, aunt, nephew, niece, brother-in-law or sister-in-law of the insured.

**1.07 TAXATION AND EXEMPTION**

1. Payments of NSLI and USGLI are exempt from taxation, but such exemption does not extend to any property purchased in part or wholly out of such payments. (However, proceeds of NSLI or USGLI are includable in a decedent's gross estate for Federal estate tax purposes.) Payments of insurance to a beneficiary are exempt from claims of creditors, and are not liable to attachment, levy or seizure either before or after receipt by the beneficiary with the following exceptions:
2. The United States is entitled to collect by set-off the amount of any indebtedness due the United States by such beneficiary because of overpayments or illegal payments made to such beneficiary under laws administered by VA.
3. The United States is entitled to deduct the amount of unpaid premiums, loan, interest on premiums or loans, or indebtedness arising from overpayments of dividends, refunds, loans, or other insurance benefits; or any other indebtedness existing under the particular contract. (38 USC 5301) under laws administered by VA.

**NOTE**: The express language of the VA statute (38 USC 5301) provides that an insured cannot have a VA insurance loan, cash surrender, 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.

**1.08 INCONTESTABILITY AND FORFEITURE**

1. As provided for in 38 U.S.C. 1910, all policies and contracts are incontestable from date of issue, conversion, or reinstatement except on grounds of non-payment of premiums, fraud or lack of military service. Policies issued are free of restrictions as to travel, residence, occupation, or military or naval service. Discharge or release of an insured from military or naval service for the reason of fraudulent enlistment shall not invalidate a contract issued on the basis of such service unless the Secretary determines that the insured was mentally or legally incapable of entering into a contract of enlistment. In such case, the insurance so issued will be canceled as of the effective date. However, in any case in which a contract or policy of insurance is canceled or voided after March 16, 1954, because of fraud, the Secretary shall refund to the insured, if living, or, if deceased, to the person designated as beneficiary (or if none survives, to the estate of the insured) all money, without interest, paid as premiums on such contract or policy for any period subsequent to two years after the date such fraud induced the Secretary to issue, reinstate, or convert such insurance less any dividends, loan, or other payment made to the insured under such contract or policy.
2. No insurance will be payable for death inflicted as a lawful punishment for crime or for military or naval offense, except when inflicted by the enemy. The cash value, if any, on the date of death of the insured will be paid to the designated beneficiary, if living. If there is no designated beneficiary alive at the death of the insured, the cash value is payable to the estate of the insured (USGLI) or to the beneficiary or beneficiaries within a permitted class of beneficiaries (NSLI) (See 38 USC 1916).
3. Any person guilty of mutiny, treason, spying or desertion, or who because of conscientious objection, refuses to perform service in the Armed Forces of the United States or refuses to wear the uniform of such force, shall forfeit all rights to National Service Life Insurance.

**1.09 MORTALITY TABLES**

1. The mortality tables and rates of interest on which premium rates are based are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Policy Prefix** | ​ | **Maximum Mortality Table** | **Rates of Interest** | **Age**  |
| K | ​ |  American Experience Table of Mortality  | 3.5% | 95 |
| V | ​ | American Experience Table of Mortality***EXCEPTION****: When participating insurance is converted to or exchanged for the modified life plans, [ages 65 and 70], the premium rates for the modified life plans [ages 65 and 70] and that portion of the insurance continued as ordinary life after the insured's 65th or 70th birthday, as appropriate, are based on the 1958 Commissioners Standard Ordinary Basic Mortality Table and interest at the rate of 3%.* | 3% | 95 |
| H | ​ | American Experience Table of Mortality | 3% | 95 |
| RH | ​ | Commissioners 1941 Standard Ordinary Table of Mortality | 2.25% | 99 |
| RS | ​ | Commissioners 1941 Standard Ordinary Table of MortalityTable X-18 (1950-54 Commercial Inter-Company Table of Mortality) | 2.25%2.5% | 99100 |
| J | ​ | 1958 Commissioners Standard Ordinary Table of Mortality | 3.5%  | 100 |
| JR | ​ | American Experience Table of Mortality | 3.5%  | 95 |
| JS | ​ | American Experience Table of Mortality | 3.5%  | 95 |

**NOTE**: The net premium rate for J, JR and JS was increased at time of issue by an amount deemed necessary for sound actuarial operations. They may be adjusted from time to time as the Secretary determines to be necessary with the exception that premiums on J policies at intervals of not less than two years.

1. Each of the mortality tables is based on the presumption that all participants will be dead at the end of the maximum age for that table. The maximum age in the American Experience Table of Mortality is 95, and policies providing lifetime coverage mature as endowments on the policy anniversary date nearest the insured's 96th birthday when premiums are based on the American Experience Table of Mortality. For example, the maximum age for conversion of a K, V or H term policy to 30-payment life is 65 and to a 20-payment life is 75.

**1.10 GENERAL**

1. With the exception of the special endowment at age 96 plan, all USGLI and NSLI policies provide for disability benefits, under certain conditions, a total permanent disability (USGLI) or total disability (NSLI). The provisions are part of the policies and no additional premiums are charged.
2. Provision may be added to the special endowment at age 96 plan at time of conversion to include waiver of premium benefits due to total permanent disability. An extra premium is charged.
3. Provided the insured can meet the health and age requirements, a provision may be added to USGLI policies and NSLI policies, except RH insurance, which provide additional disability benefits under certain conditions. These are referred to as total disability provision (USGLI) or total disability income provision (NSLI) and an extra premium is charged for the provisions.

**NOTE**: Requirements for adding a Total Disability Income Provision to a policy are in Chapter 16 of this manual. Chapters 31 and 32 define the eligibility requirements for receiving disability benefits. General information about disability provisions is included in this chapter.

**1.11 TOTAL AND PERMANENT DISABILITY (USGLI)**

1. Total permanent disability is defined as any impairment of mind or body which continuously renders it impossible for a person to follow any substantially gainful occupation and which is founded upon conditions which render it reasonably certain that the total disability will continue throughout the life of the disabled person, or conditions as defined under 38 USC 1958. There is no limitation as to the age at which such disability may occur for entitlement to total permanent disability benefits.
2. A disability provision may be added to the special endowment at age 96 plan only at the time of conversion which provides for waiver of premiums due to total permanent disability. Waiver may be granted effective with the first monthly premium due after the start of total permanent disability except that premiums due more than one year before receipt of the insured's claim will be waived only if it is found that the insured's failure to submit timely claim or satisfactory evidence to show the existence or continuance of total permanent disability was due to circumstances beyond his control. Both the disability provision and the life contract must be in force on a premium-paying basis for entitlement to waiver of premium benefits.
3. With the exception of the endowment at age 96 plan, all USGLI policies provide that the policy matures and becomes payable in monthly payments of $5.75 per thousand upon a finding of total permanent disability. This applies to extended term insurance and paid-up policies as well as policies on a premium paying basis. The monthly installments continue as long as the insured remains totally permanently disabled.
4. Total permanent disability benefits may relate back to a date not exceeding 6 months prior to receipt of proof of total permanent. Any premium paid after receipt of proof of total permanent disability and within 6 months is refunded without interest. If the insured does not want settlement upon a finding of total permanent disability, monthly installments will be held without interest. Such cases are referred to as "T&P Abeyance Cases".

**1.12 TOTAL DISABILITY PROVISION (USGLI-PREMIUM WAIVER)**

1. The total disability provision provides for waiver of premiums and monthly payments of $5.75 per thousand insurance for total disability commencing while the insurance and provisions are on a premium paying basis.
2. On provisions issued on and after July 3, 1930, the insured must become totally disabled before his 65th birthday and remain totally disabled for a period of four consecutive months or more. Payments start as of the first day of the fifth consecutive month of continuous total disability provided application for the benefit is timely filed. (The monthly payment may relate back to a date not exceeding 6 months prior to receipt of proof of total disability but not before the first day of the fifth consecutive month of continuous total disability.) Premiums on the life contract and disability provision are waived during the payment of the monthly income.
3. On provisions issued before July 3, 1930, there is a one year waiting period and no age limit as to the date disability starts. Payments date back to the beginning of total disability. All premiums paid during the waiting period are refundable, and all premiums due thereafter are waived during continuance of total disability.

**1.13 TOTAL DISABILITY (NSLI-PREMIUM WAIVER)**

1. All NSLI policies provide for waiver of payment of premiums for total disability starting after the effective date of insurance and continuing for 6 or more consecutive months. Prior to January 1, 1965, total disability had to start before the insured's 60th birthday while his/her insurance was on a premium-paying basis. On and after January 1, 1965, total disability could commence on or before the insured's 65th birthday while the insurance is on a premium-paying basis. However, no premium due before January 1, 1965, may be waived if the insured becomes totally disabled after age 60 but before age 65. (38 U.S.C. 1912)
2. The waiver of premiums may become effective on the first premium due date following the date total disability started but not more than one year before receipt of application from the insured. However, a waiver in excess of the one year period may be granted where it is determined that the insured's failure to make timely application or submit satisfactory evidence of total disability was due to circumstances beyond his/her control.
3. Where waiver of premiums cannot be granted solely because the insured died prior to the continuance of total disability for 6 months, the insurance will be considered in force at time of death. Proof of the disability must be submitted within one year after the insured's death. If the beneficiary is insane or a minor, they may file application with evidence of the insured's right to waiver within one year after removal of the legal disability. If total disability is allowed in such cases, any unpaid premiums are collected at settlement. (38 U.S.C. 1913)

1. If the insured is totally disabled when the insurance is granted, the disability may not become the basis for waiver of premiums. The exceptions are:

1. RH policies.
2. Permanent plans of insurance reinstated or replaced under the provisions of 38 U.S.C. 1981.
3. Ordinary life policies issued on the insured's 65th birthday when premiums on the modified life are being waived on the day before his/her 65th birthday because of total disability or where waiver of premiums is subsequently granted because total disability started before the 65th birthday.
4. Permanent plans issued at the end of the final term period of a limited convertible life term policy when premiums are being waived because of total disability or where waiver of premiums is subsequently granted on any permanent plan issued as the result of conversion of a term policy.
5. Insurance issued under section 602(d)(3) of the National Service Life Insurance Act of 1940 as amended. (Insurance issued to persons in the active service who on or after October 8, 1940, and before April 20, 1942, became totally disabled as a result of injury or disease incurred in line of duty without having in force at time of incurrence of the disability at least $5,000 Government insurance. The disability must have continued without interruption for 6 months or until death intervened prior to the end of the 6 month period for entitlement to the gratuitous insurance. To continue the insurance in force, the insured had to apply in writing within 6 months after disability ceased or within one year after September 30, 1944, whichever was earlier.)
6. Public Law 86497 (38 U.S.C. 1912(d)), approved June 8, 1960, states that when an insured has been or would have been denied premium waiver under section 602(n) of the National Service Life Insurance Act of 1940 as amended (38 U.S.C. 1912(a), (b) and (c)) solely because he/she became totally disabled between the date of valid application for insurance and the subsequent effective date, and on which it is shown that (1) the total disability was incurred in line of duty between October 8, 1940, and July 31, 1946, inclusive, or June 27, 1950, and April 30, 1951, inclusive, and (2) the insured remained continuously so totally disabled to the date of death or the date of enactment of this law, whichever is earlier, the Administrator may grant waiver of premiums from the beginning of and during the continuous total disability of such insured. Application for waiver of premiums under this law must be filed by the insured or, in the event of his/her death, by the beneficiary within one year after the date of enactment of this law, except that if the insured or the beneficiary be insane or a minor within the one year period, application for waiver may be filed within one year after removal of legal disability, or if an insane insured dies before the removal of the disability, application may be filed by the beneficiary within one year after the insured's death. No insurance shall be placed in force under this law in any case in which there was an award of benefits under the Servicemen's Indemnity Act of 1951 or of gratuitous insurance under 38 U.S.C. 1922(b). The amount of insurance placed in force under this law together with any other USGLI or NSLI in force at the time of death, or at the time of the insured's application for waiver may not exceed $10,000 and shall be reduced by the amount of any gratuitous insurance awarded under the National Service Life Insurance Act of 1940, as amended. Waiver of premiums under this law shall render the insurance non-participating during the period the premium waiver is in effect.

**1.14 TOTAL DISABILITY INCOME PROVISION (NSLI)**

1. Total disability income provisions provide for monthly payments for total disability starting during the period of eligibility while the provision is in effect and is continuous in excess of 6 consecutive months.
2. Payment of the monthly benefit will start with the seventh month of continuous total disability provided application for the benefit and proof of disability are timely filed. The required proof must be filed while the provision is in force or within one year after the provision has ceased to be in effect. The monthly income payment, however, will not relate back to a date more than 6 months prior to receipt of the required proof in VA unless total disability is due to one of the specific causes listed below:

1. The permanent loss of the use of both feet, or both hands, or both eyes, or of one foot and one hand, or of one foot and one eye, or of one hand and one eye, or
2. The total loss of hearing of both ears, or
3. The organic loss of speech.

1. If the insured dies without filing application for disability benefits and it is found that the insured's failure to file application was due to circumstances beyond his/her control, the application and required proof may be filed by the beneficiary within one year after the death of the insured. In such cases, monthly income payment will not relate back to a date more than 6 months prior to the date of death of the insured unless total disability is due to specific causes listed in subparagraph (1), (2) or (3) above.
2. Three types of provisions are involved as indicated below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Date for Applying** | **Amount of Income per $1,000 Insurance** | **Eligible Policies** | **Date Disability Must Commence** |
| August 1, 1946 to November 1, 1958  | $5 | V&H   |  Prior to the insured's 60th birthday or the anniversary date of the policy nearest his/her 60th birthday, whichever is later.  |
| April 25, 1951 to November 1, 1958 | $5 | RS | Prior to the insured's 60th birthday or anniversary date of the policy nearest his/her 60th birthday, whichever is later  |
| November 1, 1958 to December 31, 1964 | $10 | All NSLI policies except RH | Prior to the insured's 60th birthday. |
| Beginning January 1, 1965 |  |  |  |

\*Between January 1, 1965, and December 31,1965, both dates inclusive, the applicant had to apply for the provision before his/her 60th birthday. On and after January 1, 1966, the applicant must apply before his/her 55th birthday. (PL 88-355, effective January 1, 1965.)

1. Prior to January 1, 1950, a service-incurred disability or injury less than total in degree, was waived in applying for the total disability income provision if the applicant could furnish proof that his/her lack of good health was a result of injury or disability incurred between October 8, 1940, and September 2, 1945, both date inclusive, while in service. Since January 1, 1950, health requirements are not waived in the issue or reinstatement of a total disability income provision with the following exception: A total disability income provision may be reinstated (or replaced with the same type of provision) as part of reinstatement or replacement of permanent plan policies under the provision of 38 U.S.C. 1981(a) provided the disability provision was in force at the time the policy was surrendered for cash.
2. Effective January 1, 1965, the only disability provision which can be added to policies is the $10 provision providing protection to age 65. This does not preclude reinstatement of lapsed provisions or reinstatement or replacement of provisions on policies reinstated or replaced under the provisions of 38 U.S.C. 1981.