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**Chapter 6. Refunds**

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**6.01 GENERAL**

1. Refunds may be made to the insured, a third party (under certain conditions), or to the guardian, legal custodian or fiduciary of an incompetent insured. They will be initiated when requested, or paid automatically, depending upon the type of credit involved. The first full name, middle initial, if any, and last name of the insured will be used in manually prepared refunds to the policyholder.
2. When the amount to be refunded was paid by personal check, refund will not be authorized until 20 days after the date of deposit of check on the following:
3. Payments for more than $100;
4. Checks which accompanied a disapproved application;
5. Payments for which there is no method of recoupment should the check be returned; or
6. There is a history of dishonored checks (e.g., more than one returned check in the past 2 years). Immediate refund of a recent remittance paid by check may be authorized if the remittance is less than $100 and there is no history of dishonored checks.
7. Refunds will not be made when:
8. The amount of the refund is less than $1 and refund of such an amount has not been requested by the insured.
9. The amount must be applied to prevent lapse on any of the policyholder's accounts.

**6.02 REFUND TO THIRD PARTIES**

1. Refund to third parties or transfers to accounts held by other agencies will not be made of amounts missent or misdirected to VA. Such amounts will be refunded, to the remitter only, even though the intended payee may be apparent.
2. Unapplied credits (not unearned premiums) may be paid to a third party if the third party was the remitter and permission of the insured is obtained.

**6.03 REFUNDS ON INCOMPETENCY CASES**

1. Refunds of amounts less than $350 may be made on the basis of the latest fiduciary information of record available in VA systems if the name and address of a fiduciary are indicated on the master record or a digitally imaged version of VA Form 27-555, Certificate of Legal Capacity to Receive and Disburse Benefits. The refund may be made without contacting the Service Center Manager of the Regional Office of jurisdiction indicated on VA systems.

**NOTE**: If there is evidence that payments of insurance or other benefits to the latest fiduciary of record have been suspended or withheld, a refund will not be processed until a new VA Form 27-555 Certificate of Legal Capacity to Receive and Disburse Benefits is received.

1. Refunds of $350 or more due an incompetent Veteran may not be made until a current VA Form 27-555 (within 6 months) or certification available on VA systems (within 6 months) authorizing the refund.
2. If a guardian has not been appointed and the insured is a patient in a VA hospital, refund will be made to the Director of that hospital. The exception is when the refund of premium due when a disability waiver is granted. In these cases, the Veterans Service Center Manager of the Regional Office of jurisdiction will be requested to advise to whom refund will be made.

**6.04 REFUND UPON REQUEST**

Refunds will be made only upon request for the following types of credits:

1. Unearned premiums - (all premiums subsequent to the premium month in which the request for refund is postmarked are subject to refund).
2. Overages from amounts received as premium payments.
3. Loan or lien overpayments of less than $1.
4. If the total amount of refund equals more than $99,999, split the amount of the refund and process in two days (half one day, half the next day).

**6.05 SYSTEMATIC REFUND (PROCESSED WITHOUT REQUEST)**

The following types of credits will be refunded without request:

1. Amounts tendered with an application which has been disapproved or rejected including appeal cases for which there is no policy. If the application was disapproved because medical requirements were not complete, the applicant will first be given 31 days to submit a new application. However, an amount tendered with a disapproved conversion application will not be refunded unless requested. (See ch. 18, par. 18.21)
2. Unapplied, untimely credits where reinstatement requirements have not been met and the amount is not needed to prevent lapse of any other policy. Refund will be made at the time of final lapse action.
3. Overages of $1 or more which will not pay a monthly premium and which exist when final lapse action is taken, there is no indebtedness, and no other insurance is in force.
4. Amounts on DFB accounts which place the account on a more-than-1-month-in-advance basis.
5. Premiums paid during a period when section 1912 waiver is in force. Premium refunds due to section 1912 will be limited to one year from the effective date of waiver.
6. Overages of $1 or more on permanent plan policies which are paid to the end of the premium-paying period.
7. Premiums paid after the date of the insured's death.
8. Premiums paid which are unearned as of the date of the fraud decision. (See par. 6.06.)
9. Loan or lien overpayments of $1 or more.
10. Reserve credits resulting from contract changes when premiums are being paid by VAMATIC, electronic bank deductions, deductions from VA benefits, allotment from service pay, or waived because of total disability.
11. Overages of $1 or more on allotment accounts which place the account on a more-than-1-month-in-advance basis.

**6.06 REFUND OF PREMIUMS IN FRAUD CASES**

When a policy is canceled or voided for fraud, premiums paid for any period subsequent to the fraud decision will be refunded without interest. The amount of any dividends, loan, or other insurance payment made as a result of the fraudulent issue, reinstatement, or conversion will be deducted from the refund.

**6.07 AMOUNT REFUNDED**

1. Earned premiums properly applied to an account and subject to refund because of 1912 waiver will be refunded on a monthly basis starting with the premium month in which the waiver is effective and ending with the premium for the last month paid or current processing month, whichever is earlier. When premiums are paid by allotment or deductions from benefit payments, unearned premiums will be refunded on a monthly basis to the date VA requests the discontinuance or suspension to be effective.
2. Refunds of unearned premiums properly applied to an account beyond three months will be calculated on a present value basis when refunding a duplicate payment submitted inadvertently; the refund will be in the exact amount of the duplicate remittance.
3. Refunds of amounts not previously applied to premiums will be in the amount tendered.

**6.08 REFUNDS INVOLVING OVERAGES AND SHORTAGES**

1. When a refund is authorized and it is necessary to eliminate an overage or a shortage, the following rules will apply to deduction accounts:
2. If the overage does not exceed a monthly premium or the shortage is less than $1, it will not be necessary to verify the amount.
3. If the overage exceeds a monthly premium or the shortage is in excess of $1, the amount will be verified by history lookup or other means.
4. The following rules will apply to direct pay accounts:
5. An overage or shortage will not be included in a refund calculation if the insured has been or will be advised of the amount on a premium notice (billing callup within 30 days of refund).
6. When including overages or shortages shown in the Overage or Shortage field of the Master Record in routine refunds, history lookups will not be required except where the overage or shortage appears to be questionable. In these cases, the amount of the overage must be less than 90 percent of a monthly premium or the amount of the shortage must be not more than 10 percent of a monthly premium.

**6.09 MANUAL REFUNDS**

1. Lost or Never-Received Payments:
2. If a system-processed payment is returned, lost, or never received by the insured, a re-certified payment is issued through an Off-Tape refund. VA uses the Treasury System to confirm that a payment was not negotiated. The Treasury System creates a report indicating that the payment is outstanding and that Treasury cancelled the payment, Then, VA will reissue the payment to the appropriate party.
3. Returned Payments:

1. VA researches why the payment was returned. VA will update the payment information in VA systems noting the returned check and the changes required to reprocess the payment, a re-certified payment is issued through an On-Tape refund.