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**Chapter 7. Renewal of Term Insurance**

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**7.01 NSLI**

1. History
2. The original NSLI Act of l 940, approved October 8, 1940, provided for the issuance of insurance on the 5-year level premium term (5LPT) plan only, with the privilege of conversion to a permanent plan at any time after the policy had been in force for 1 year and within the 5-year term period. It further provided that all 5LPT policies would terminate at the expiration of the 5-year term period.
3. Public Law 118, 79th Congress, approved July 2, 1945, automatically extended all 5LPT policies, issued on or before December 31, 1945, for an additional 3 years with premiums to continue at the same rate.
4. Public Law 838, 80th Congress, approved June 29, 1948, authorized the renewal of 5LPT policies, issued before January l, 1948, for an additional 5 years at the premium rate for the attained age.
5. Public Law 104, 82d Congress, approved August 2, 1951, provided that at the expiration of any term period, a 5LPT policy may be renewed for a successive period of 5 years.
6. Prior to July 23, 1953, an application was required to affect a renewal unless premiums were being waived. Public Law 148, 83d Congress, enacted July 23, 1953, authorized automatic renewal of 5LPT policies expiring on and after that date without an application, provided the final premium for the expiring contract was timely paid or waived.
7. Public Law 881, 84th Congress, approved August 1, 1956, authorized reinstatement and renewal of term insurance which lapses in either of the last 2 months of a term period which expires on or after July 23, 1953. Such reinstatements and renewals, which may be affected within the succeeding term period, will be contingent upon meeting reinstatement requirements, including the payment of a premium at the rate for the expired term insurance for the month of lapse, and a premium at the renewed rate for the month of reinstatement. This law is still in effect.
8. Public Law 291, 91st Congress, approved June 25, 1970, provided that renewal shall be effective in cases in which the policy is lapsed only if the insured makes application for reinstatement and renewal of his or her term policy within 5 years after the date of lapse.
9. Current Rules
10. 38 U.S.C. 1905 and 38 CFR 8.26 provide that:
11. All or any part of an NSLI policy on the 5LPT plan or limited convertible 5LPT plan, which is not lapsed at the expiration of any 5-year term period, shall be automatically renewed without application or medical examination, for a successive 5-year period if the insured has not selected another plan of insurance.
12. The renewal will become effective as of the day following the expiration of the preceding term period. However, if the 5LPT policy was issued with February 29 as the effective date (month and day), upon renewal the effective date will be February 28 (month and day).
13. The premium for the renewed policy will be at the 5LPT rate for the attained age of the insured on the renewal date.
14. 5LPT premium rates shall not exceed, as applicable, the renewal age 70 term premium rate.
15. Public Law 91-291, effective June 25, 1970, provides that any 5LPT policy that lapsed for non-payment of the premium due may be reinstated and renewed within 5 years of the date of lapse. Reinstatement and renewal is available to the insured provided:
16. Submits written application for reinstatement of the insurance;
17. Tenders two monthly premiums, one for the month of lapse at the rate for the expired term, and one for the month of reinstatement at the rate for the new term; and
18. Meets the usual health requirements for reinstatement. See Chapter 3 –Lapse, Revival, and Reinstatement of Insurance.
19. If the insured is shown by satisfactory evidence to be totally disabled at the expiration of the term period, under conditions which would entitle him or her to continued insurance protection but for such expiration, the insurance shall be automatically renewed for an additional 5-year period at the premium rate for the attained age of the insured.
20. When an insured tells VA he or she is not renewing the term insurance at point of renewal, or at any time other than in connection with renewal, because he or she cannot afford to pay the higher premiums, they will be offered an opportunity to renew a reduced amount of insurance using the amount of premium he or she was paying in the prior term period applied at the premium rate for his or her renewal age.

**NOTE**: In September 2000, term insureds over age 70 became eligible for a termination dividend when the policy lapsed (insured stopped paying premiums) or when the policy is canceled at the request of the insured. If a termination dividend is paid, the insured will no longer have a term policy. The following options will be offered:

1. receive a termination dividend as a cash payout, or
2. use the termination dividend to purchase paid up insurance (PUA), or
3. Stop paying premiums and after six months, the termination dividend will be used to purchase PUA.
4. When a 5LPT policy renews at age 70 and the policy is on waiver (How Paid 5), the term policy is converted to either:
5. 20 Payment Life Policy – if the insurance age is 75 or below.
6. Ordinary Life Policy – if the insurance age is 76 or above.

**NOTE**: Should the insured request to retain his/her term insurance, VA will explain the options and benefits of both keeping the permanent plan or retaining term insurance and comply with the insured’s decision. As the conversion is automatic, should the insured desire to retain his/her term insurance, VA will reverse the conversion.