

# **VA Life Insurance Programs for Veterans and Servicemembers**



**Department of Veterans Affairs  
Regional Office and Insurance Center  
Philadelphia, PA  
January 2009**

**In support of our troops  
currently serving in  
Operation Enduring Freedom  
and  
Operation Iraqi Freedom.**



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# ***Insurance Program Mission, Vision and Goals***

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**I**

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# Insurance Mission and Vision

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## Insurance Program Mission

VBA's Insurance program will:

- provide universally available life insurance benefits to service members and their families;
- provide traumatic injury protection insurance for service members;
- provide a conversion privilege to either a permanent plan or a renewable term insurance policy after a service member's separation from service;
- provide life insurance benefits to veterans that may not be available from the commercial insurance industry due to lost or impaired insurability resulting from military service;
- provide all benefits and services in an accurate, timely and courteous manner and at the lowest achievable administrative cost;
- provide insurance coverage in reasonable amounts at competitive premium rates; and
- ensure that a competitive, secure rate of return will be earned on investments held on behalf of insureds.

## Insurance Program Vision

VBA's Insurance program will be an organization that:

- provides insurance services that are equal or superior to those provided by the best commercial insurance companies;
- provides these services at substantially lower cost than commercial companies;
- provides fast, convenient access for our policyholders and beneficiaries; and
- provides customer communications which are fully explained, clear, timely and courteous.

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## Administered Insurance Program Goals

### Fiscal Year 2008\* Customer Service Goals and Results:

Customer Service Goals For Fiscal Year 2008	Fiscal Year 2008 Actual
Disbursements (e.g., death claims, loans, etc.) will be processed on average within <b>2.7</b> workdays.	<b>1.6</b> workdays
Disbursements will be at least <b>99%</b> accurate.	<b>99.3%</b> accurate
Toll-free telephone blockage (busy signals) will be no more than <b>2%</b> of call attempts.	<b>.2%</b> of calls were blocked on the first try
Callers will be put on hold waiting for an insurance specialist no more than <b>20</b> seconds.	<b>13</b> seconds hold time
Receive high veterans' satisfaction ratings on at least <b>95%</b> of services delivered.	<b>95.2%</b> of veterans surveyed said they were satisfied or very satisfied
Receive low veterans' satisfaction ratings on no more than <b>2%</b> of veterans' ratings.	<b>1.9%</b> of veterans surveyed said they were unsatisfied or very unsatisfied

\* October 1, 2007 – September 30, 2008

### Fiscal Year 2009\*\* Customer Service Goals:

Customer Service Goals For Fiscal Year 2009	
Disbursements will be processed on average within <b>2.5</b> workdays.	<p><b>Fiscal Year 2009 actuals will be available at the end of 2009, and will be reported in the January 2010 edition of this booklet.</b></p>
Disbursements will be at least <b>99%</b> accurate.	
Abandoned call rate will be no more than <b>2%</b> .	
Toll-free telephone blockage (busy signals) will be no more than <b>2%</b> of call attempts.	
Callers will be put on hold waiting for an insurance specialist no more than <b>20</b> seconds.	
Receive high veterans' satisfaction ratings on at least <b>95%</b> of services delivered.	
Receive low veterans' satisfaction ratings on no more than <b>3%</b> of veterans' ratings.	

\*\* October 1, 2008 – September 30, 2009

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# ***Program Information***

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# Life Insurance Facts

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## What Is Life Insurance?

Life insurance provides protection against financial loss resulting from death. It is an insurance company's promise to pay a beneficiary a specific amount of money when an insured dies in exchange for timely payment of premiums.

## What Is It Intended To Do?

Life insurance offers security in the event of the insured's death. Life insurance offers financial protection to survivors. It provides dependents with the necessary funds to settle financial obligations and to cover the loss of income created by the insured's death. Life insurance policies are usually purchased with a specific intention in mind - to protect a mortgage or an estate, to provide for educational costs, for retirement or for charity, etc.

## Why Is Life Insurance Necessary?

People carry life insurance for many reasons. Among the most common are to pay off a mortgage, or personal debts (car loan, credit cards...), educational costs for young children, for beneficiaries to be able to maintain their current standard of living, for child care, for immediate financial needs, and medical or funeral costs.

## How Might Life Insurance Needs Change Over Time?

If an individual has finished raising their family, has paid off their mortgage and no longer has major financial obligations, then their life insurance needs will be lower than when they were younger. An individual may choose to no longer carry their insurance or to reduce their coverage amount to a level just sufficient to ensure that their survivors have enough money to pay final expenses (burial, medical, estate taxes...).

## How Does Life Insurance Work?

All aspects of life involve risk, e.g., fire, theft, auto accidents, injury. Insurance provides a means of transferring the financial consequences of certain risks from the individual to an insurance company. When an individual buys life insurance, they are grouped together with other people who are similar in age, sex, and health. Actuaries calculate how many people in each group are likely to die in a period of time. The more deaths there are in a group, the more money will be needed to pay death claims, and therefore, more money will have to be collected as premiums. Since younger people are less likely to die than older people, insurance premiums are generally lower at younger ages.

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Each year, the insured pays the insurance company for their insurance policy. This money is called a premium. The insured also informs the insurance company who should get the insurance money if they (the insured) die. This is called designating a beneficiary. If the insured dies while their policy is active, the insurance company will pay the beneficiaries the insurance money. Insurance companies can do this because only a small number of people die each year, while many more people pay them premiums. The “risk” of death is spread out among many people in order to prevent a financial loss to the beneficiaries of the few who will die.

## **What Is An Actuary?**

An actuary is a person who is professionally trained in the technical aspects of insurance, particularly in the mathematics of insurance, such as calculating premiums, dividends, and proper policy reserves. Actuaries assist in estimating the cost of implementing new benefits or benefit enhancements and also conduct statistical and financial studies. Actuaries in the U.S. achieve professional status by passing a set of examinations given by the Society of Actuaries (SOA).

## **Where Does The VA Insurance Program Get Its Actuarial Expertise?**

The Insurance Actuarial Staff is located at the Insurance Center in Philadelphia. The Actuarial Staff is responsible for the financial management and actuarial soundness of the life insurance programs that are administered and supervised by the Department of Veterans Affairs Regional Office and Insurance Center. Among the staff’s responsibilities are the determination of premiums and dividends, determining policy values, developing mortality and insurance experience studies, setting appropriate reserve levels and financial reporting. The Actuarial Staff is also responsible for the evaluation of the financial impact of legislative proposals that will affect the life insurance programs.

The Actuarial Staff is responsible for the preparation of financial statements for each of the VA life insurance programs. These statements present the financial position of each of the life insurance programs. Each year, independent auditors audit these statements to ensure that the statements accurately reflect the financial position of the programs. This is important because a favorable audit opinion means that the life insurance programs are able to meet their obligations to policyholders and that all policyholders are being treated equitably. For every fiscal year since 1992, the VA insurance program has received an unqualified audit opinion. This means that the independent auditors have determined that the financial statements accurately reflect the financial position of the insurance programs.

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# History of VA Life Insurance Programs

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## War Risk Insurance Act (1914)

The United States Government first became involved in the insurance business when war broke out in Europe in 1914. Although President Wilson declared America neutral, commercial merchant ships supplied war materials to the allies in the war against Germany. Owners of these merchant ships could not get marine insurance from commercial companies. Congress passed the War Risk Insurance Act on September 2, 1914, providing marine insurance protection for merchant ships supplying the allies.

America entered the war against Germany in April 1917. Life insurance issued by commercial life insurers either excluded protection against the extra hazards of war, or if such protection was included, the premium rates were much higher than the normal rate. The War Risk Insurance Act was amended on June 12, 1917, to cover merchant marine personnel. The Act was again amended on October 6, 1917, authorizing for the first time issuance of government life insurance to members of the armed forces. Over 4 million policies were issued during World War I.

## United States Government Life Insurance (1919-1951)

The United States Government Life Insurance program (USGLI) was established in 1919 and replaced War Risk policies. Individuals could keep this coverage after separation from service.

## National Service Life Insurance (1940-1951)

The National Service Life Insurance program (NSLI) was established in 1940 to meet the insurance needs of World War II military personnel and veterans. Like USGLI coverage, insureds could keep their NSLI coverage after discharge from service.

## Servicemen's Indemnity Insurance (1951-1956)

In 1951, NSLI was replaced by Servicemen's Indemnity Insurance, which automatically covered active duty service members for \$10,000 at no cost to the individual. Service members remained covered for 120 days after their discharge.

## Veterans' Special Life Insurance (1951-1956)

Discharged service members who had Servicemen's Indemnity Insurance could replace their coverage with Veterans' Special Life Insurance (VSLI). VSLI was established in 1951 to meet the insurance needs of veterans who served during the Korean Conflict, and the post Korean period through January 1, 1957.

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In the early 1950's, commercial life insurance companies began to view the government's life insurance programs for veterans as competition for their business and began lobbying Congress to remove the government from the life insurance business. As a result, the Veterans' Special Life Insurance program was closed to new issues at the end of 1956.

## **Service-Disabled Veterans Insurance (1951-Present)**

The only new insurance issued between 1957 and 1965 to either service members or veterans was Service-Disabled Veterans Insurance (S-DVI). This insurance was (and still is) available to veterans with a service-connected disability.

## **Veterans' Reopened Insurance (1965-1966)**

Veterans' Reopened Insurance (VRI) was opened in 1965 to provide coverage for certain classes of disabled veterans, mainly from World War II and the Korean Conflict. Members who had dropped their NSLI or VSLI coverage and who had a service-connected disability, or a non-service connected disability that made them uninsurable, had a one-year period to apply for \$10,000 of coverage.

## **Servicemembers' Group Life Insurance (1965-Present)**

To meet the insurance needs of Vietnam Era service members, the government entered into a cooperative effort with the private insurance industry. In 1965, the Servicemembers' Group Life Insurance (SGLI) program was established. This program provides low-cost term insurance protection to service members through a group policy issued by a commercial life insurance company. Under this policy, the government agrees to pay the claim costs resulting from the extra hazards of service. All other costs of the program are covered by the premiums deducted from service members' pay.

The SGLI program was expanded in 2001 to provide Family Group Life Insurance (FSGLI) and again in 2005 to provide Traumatic Injury Protection Insurance (TSGLI).

## **Veterans' Group Life Insurance (1974-Present)**

In 1974, the Veterans' Group Life Insurance (VGLI) program became available to veterans, providing term insurance protection after separation from service for those who had SGLI while in the service.

## **Veterans' Mortgage Life Insurance (1971-Present)**

This program was established to provide mortgage protection life insurance to severely disabled veterans who have received grants for the purchase of specially-adapted housing.

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# Program Administration

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## The Department Of Veterans Affairs Insurance Center

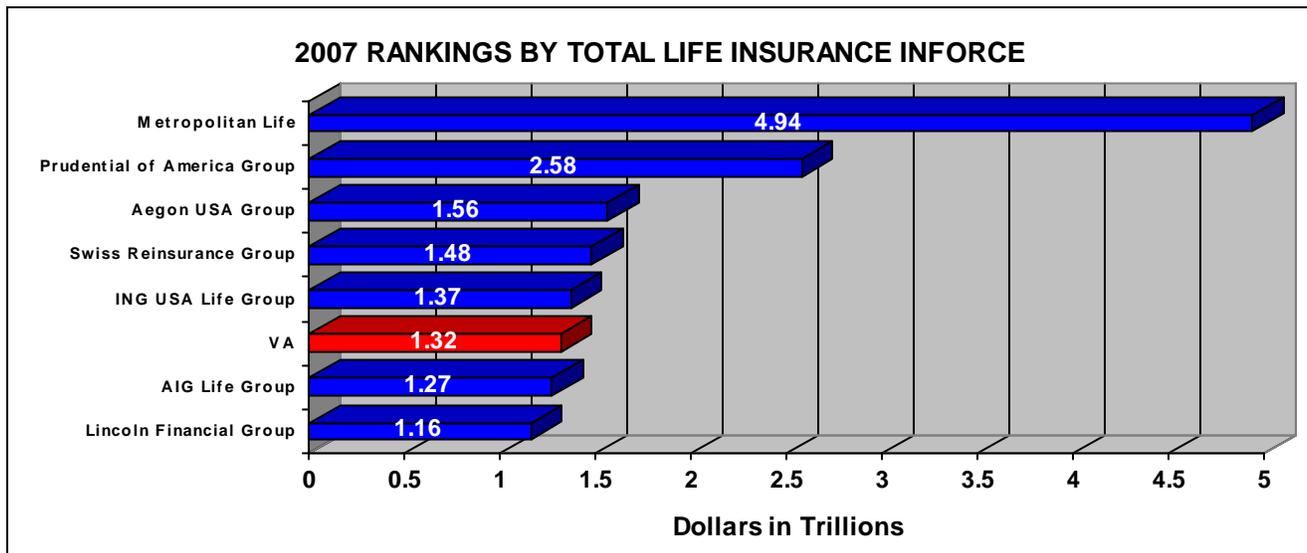
The Department of Veterans Affairs Regional Office and Insurance Center (VAROIC) in Philadelphia manages the government life insurance programs. For the six insurance programs that are administered directly by VA, the Insurance Center is responsible for:

- collecting premiums
- processing policy actions (change of address, loans, cash surrenders, etc.)
- paying death and disability claims
- offering toll-free telephone service
- performing all actuarial functions
- formulating policy, plans and procedures and
- evaluating performance of the insurance programs.
- Note: Designing, developing, installing and maintaining application software, which supports the life insurance programs, is performed by the Insurance Products Division of the Office of Information and Technology, which is co-located in the Philadelphia VAROIC.

The Insurance Center also supervises the Servicemembers' and Veterans' Group Life Insurance (SGLI/VGLI) programs. The SGLI/VGLI group life insurance policy is issued by Prudential Insurance Company of America. SGLI and VGLI provide coverage for members of the uniformed services (including family members), reservists and post-Vietnam veterans. The Office of Servicemembers' Group Life Insurance (OSGLI) in Roseland, New Jersey is an administrative office created by Prudential to administer the day-to-day operations of SGLI and VGLI.

## Size Of VA Insurance Programs

According to the most recent data available (calendar year 2007), VA was the **6<sup>th</sup> largest insurer** in the country with 7.1 million individuals insured for \$1.32 trillion. This figure includes the coverage provided under the SGLI, VGLI and TSGLI programs.



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# *Program Descriptions*

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- **Administered Programs**

- United States Government Life Insurance
- National Service Life Insurance
- Veterans' Special Life Insurance
- Veterans' Reopened Life Insurance
- Service-Disabled Veterans Insurance
- Veterans' Mortgage Life Insurance

- **Supervised Programs**

- Servicemembers' Group Life Insurance
  - Service Member Life Insurance
  - Traumatic Injury Protection
  - Family Life Insurance
- Veterans' Group Life Insurance

## INSURANCE HIGHLIGHTS (As of September 30, 2008)

Program	Policy Prefix	Open Era Issue Dates	Number of Individuals Insured	Average Age	Deaths per 1,000	For More Information See Page
<b>ADMINISTERED PROGRAMS</b>						
USGLI	K	January 1, 1919 to April 24, 1951	5,532	90.1	158.4	15
NSLI	V	October 8, 1940 to April 24, 1951	801,860	82.7	82.0	17
	H	August 1, 1946 to December 31, 1949	N/A	N/A	N/A	18
VSLI	RS, W	April 25, 1951 to December 31, 1956	166,984	76.5	35.9	19
VRI	J, JR, JS	May 1, 1965 to May 2, 1966	34,069	83.6	94.1	21
S-DVI	RH	April 25, 1951 to Present	168,349	60.0	34.9	23
VMLI	N/A	August 11, 1971 to Present	2,309	56.1	60.7	27
<b>SUPERVISED PROGRAMS</b>						
<b>SGLI</b>						
Member	N/A	September 29, 1965 to Present	2,356,500	29.9	0.96	30
Spouse	N/A	November 1, 2001 to Present	1,077,000	33.0	0.72	40
Child	N/A	November 1, 2001 to Present	2,027,000	8.7	0.51	40
TSGLI	N/A	December 1, 2005 to Present	2,262,500	29.9	N/A	34
VGLI	N/A	August 1, 1974 to Present	431,281	46.7	4.41	44
<b>TOTAL NUMBER OF INDIVIDUALS INSURED</b>					<b>7,070,884*</b>	
<b>TOTAL FACE AMOUNT OF INSURANCE</b>					<b>\$1,313,773,303,072</b>	

\*TSGLI is a traumatic injury protection rider under SGLI and is, therefore, already included in the total number of individuals insured.

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## United States Government Life Insurance - USGLI (Policies Prefixed by K)

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### History Of The USGLI Program

The United States Government Life Insurance program was the government's first venture into life insurance. During WWI, the U.S. provided Marine Insurance to protect the interests of ship owners and merchants who were providing supplies to the allies in Europe. USGLI was the natural outgrowth of this Marine Insurance. The program was established to meet the needs of World War I veterans, but remained open to service members and veterans with service before October 8, 1940. The government became a self-insurer since private insurance companies were unwilling to assume the unpredictable risks associated with a war. By establishing this program, Congress intended to avoid the financial burden imposed on the government by the pension programs that were established after previous wars. The government became the largest life insurer in the U.S. with the coverage provided by this program.

### Premiums Are No Longer Paid

The USGLI program operates from a strong financial position.

- We currently have \$31.5 million in trust fund reserves set aside.
- These funds are invested in U.S. Treasury Securities and policy loans. The average rate of return for FY 2008 was 5.4%.
- Because of the strong financial position of this program, all USGLI policies were declared paid-up as of January 1, 1983. *We no longer collect premiums from policyholders in this program.*

### Dividends Paid To USGLI Policyholders

Dividends are paid on all but a few USGLI policies.

- Reserves set aside in the trust funds continue to earn interest each year in excess of what is needed to pay future claims, allowing us to pay dividends.
- In 2009, we will pay approximately \$725,000 in dividends to USGLI policyholders. This is an average of \$136 per veteran.

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## Disability Provisions

USGLI policies (except Special Endowment at Age 96) contain a provision that matures the policy upon the insured's total permanent disability. Under this provision:

- Proceeds are payable in installments of \$5.75 monthly per \$1,000 of insurance, as long as the insured remains totally and permanently disabled, with 240 payments guaranteed.
- If the insured dies before all guaranteed installments have been paid, the balance is payable to his or her named beneficiary.
- No additional premium is charged.
- There is no limit as to the age at which a disability may occur.

As of September 30, 2008, 25 USGLI policyholders were receiving monthly payments under this provision.

<b>USGLI Historical Information</b>	
Opened _____	January 1, 1919
Closed (Non-WWI Veterans) _____	October 8, 1940
Closed (WWI Veterans) _____	April 24, 1951
Number of Policies Issued ( <i>new issues and conversions from War Risk Insurance</i> ) _____	1,153,000
Face Value of Policies Issued _____	\$4,857,600,000
Average Face Value of Policies Issued _____	\$4,213
<b>USGLI Current Information</b>	
Number of Veterans Insured _____	5,532
Total Amount of Insurance in Force _____	\$17,020,142
Average Coverage Per Veteran _____	\$3,077
Average Attained Age _____	90.1
Average Annual Death Rate _____	158.4 per 1,000
Total Investments of the USGLI Fund _____	\$31,506,841
Average Rate of Return on Investments FY 2008 _____	5.4%
Total Disbursements FY 2008 _____	\$6,375,527
Dividend Distribution 2009 _____	\$725,000
Average 2009 Dividend Per Veteran _____	\$136

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## **National Service Life Insurance - NSLI (Policies Prefixed by V or H)**

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### **History Of The NSLI Program**

Most of the policyholders who have insurance under this program served during World War II. The program opened October 8, 1940, when it became clear that large-scale military inductions were imminent. Over 22 million policies were issued under the NSLI program. The majority of policies VA administers directly are NSLI policies. This program remained open until April 25, 1951, when two new programs were established for Korean War service members and veterans.

The NSLI program provides for:

- A maximum amount of \$10,000 insurance coverage;
- Individual policies issued to each policyholder;
- Certain contractual rights whereby a policyholder can bring a suit against VA in a U.S. District Court. Administrative decisions of the Board of Veterans Appeals can be appealed to the U.S. Court of Appeals for Veterans Claims.

### **Premium Rates “Capped” For Term Policies**

NSLI “V” term policies can be renewed indefinitely. At the older ages, premium rates increase significantly to cover the higher death rates at those ages. Although we continually encouraged term policyholders to convert to a permanent plan of insurance (which has fixed premium rates), many policyholders retained their term coverage.

As term policyholders reached their sixties and seventies, they found it difficult to pay the high premium rates. This situation received much Congressional interest as policyholders petitioned their representatives for financial relief. In 1984, the Insurance Actuarial Staff developed a partial solution to the problem by “capping” premium rates at the age 70 rate. This means that a term policyholder’s premium will never increase over the age 70 premium rate.

Effective September 11, 2000, “capped” NSLI term policies receive a termination dividend if a policy lapses, or if the policyholder voluntarily cancels their policy. The termination dividend will be used to purchase paid-up additional whole life insurance.

### **Dividends Paid To NSLI Policyholders**

After the reserve level requirements are determined by the Insurance Actuarial Staff, any surplus funds are returned to policyholders as a dividend.

- In 2009, a total of \$243.8 million in dividends will be distributed to NSLI policyholders. This is an average dividend of \$311 per veteran.
- The 2009 average dividend is about 0.6% lower than that paid in 2008.

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## Disability Provisions

All NSLI policies provide for

- A waiver of premiums at no extra cost if the insured becomes totally disabled for six months or longer prior to age 65.
- An optional Total Disability Income Provision covering disability before age 65, providing a monthly income of up to \$100 per month, as long as total disability continues.

## "H" Insurance

"H" policies were issued between August 1, 1946, and December 31, 1949, to veterans with service-incurred disabilities. These policies were non-participating.

On November 11, 1998, the 'Veterans Programs Enhancement Act of 1998' (Public Law 105-368) was signed into law. Included in the legislation was the merger of "H" policies into the regular NSLI "V" policies. Under the Act:

- 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.
- These previous "H" policyholders now receive dividends.

<b>NSLI Historical Information</b>	
Opened _____	October 8, 1940
Closed _____	April 24, 1951
Number of Policies Issued _____	22,177,000
Face Value of Policies Issued _____	\$173,765,000,000
Average Face Value of Policies Issued _____	\$7,835
<b>NSLI Current Information</b>	
Number of Veterans with 5-year Term Policies _____	188,440
Number of Veterans with Permanent Plan Policies _____	613,420
Total Amount of Insurance in Force _____	\$10,651,255,978
Average Coverage Per Veteran _____	\$13,283
Average Attained Age _____	82.7
Average Annual Death Rate _____	82.0 per 1,000
Total Investments of the NSLI Fund _____	\$9,816,336,132
Average Rate of Return on Investments FY 2008 _____	5.8%
Total Disbursements FY 2008 _____	\$1,367,409,208
Dividend Distribution 2009 _____	\$243,800,000
Average 2009 Dividend Per Veteran _____	\$311

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## **Veterans' Special Life Insurance - VSLI (Policies Prefixed by RS or W)**

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### **History Of The VSLI Program**

This insurance program was established in 1951 to meet the insurance needs of veterans who served during the Korean Conflict, and the post-Korean period through January 1, 1957. During this period, all service members on active duty were covered for \$10,000, at no cost, under a program known as Servicemen's Indemnity. They remained covered for 120 days after their discharge. The VSLI program allowed these newly discharged service members to apply for \$10,000 of contract term insurance. Application had to be made during the 120-day period during which they remained covered by Servicemen's Indemnity. It was during this time that representatives of the commercial insurance industry began a major lobbying effort to get the government out of the insurance business because the programs were viewed as competition. As a result, the VSLI program was closed to new issues at the end of 1956, and coverage for individuals in the services was terminated. Approximately 800,000 VSLI policies were issued between 1951 and 1957.

### **Features Of "RS" And "W" Policies**

There are two types of VSLI policies:

#### **RS - five-year level premium term policies:**

- These were the original policies available in this program.
- RS policies can remain in force as 5-Year Level Premium Term beyond the age of 50.
- To provide financial relief from the high premium rates at advanced ages, RS term premiums were capped at the age 70 renewal rate effective May 1, 1989. This means that the annual premium for these policies will not exceed \$68.16 per \$1,000 of coverage.
- Effective September 11, 2000, "capped" VSLI term policies receive a termination dividend if a policy lapses, or if the policyholder voluntarily cancels their policy. The termination dividend will be used to purchase paid-up additional whole life insurance.

#### **W - five-year level premium term policies:**

- A 1959 legislative change permitted RS policyholders to convert to permanent plans or to exchange their policies for a special lower premium term policy. These newer policies are identified by the prefix W.
- To avoid W term policyholders from keeping their policies into advanced ages (when premiums are very high), these policies had to be converted to permanent plans before age 50, or coverage ceased. There are no longer any W term policyholders eligible for this conversion.

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## Dividends Paid To VSLI Policyholders

In 2009, a total of \$67.2 million in dividends will be distributed to VSLI policyholders.

- This is an average dividend of \$406 per veteran.
- The 2009 average dividend is 1.1% higher than that paid in 2008.

## Disability Provisions

All VSLI policies provide for:

- A waiver of premiums at no extra cost based on the insured's total disability lasting six months or longer and starting before age 65.
- An optional Total Disability Income Provision covering disability before age 65, providing a monthly income of \$10 per \$1,000 of insurance, was available at an extra cost.

### VSLI Historical Information

Opened _____	April 25, 1951
Closed _____	December 31, 1956
Number of Policies Issued _____	803,111
Face Value of Policies Issued _____	\$7,349,178,500
Average Face Value of Policies Issued _____	\$9,151

### VSLI Current Information

Number of Veterans with 5-year Term Policies (RS) _____	11,853
Number of Veterans with Permanent Plan Policies (W) _____	155,131
Total Amount of Insurance in Force _____	\$2,348,218,092
Average Coverage Per Veteran _____	\$14,063
Average Attained Age _____	76.5
Average Annual Death Rate _____	35.9 per 1,000
Total Investments of the VSLI Fund _____	\$2,135,079,238
Average Rate of Return on Investments FY 2008 _____	6.6%
Total Disbursements FY 2008 _____	\$180,015,613
Dividend Distribution 2009 _____	\$67,200,000
Average 2009 Dividend Per Veteran _____	\$406

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## Veterans' Reopened Insurance - VRI (Policies Prefixed by J, JR, or JS)

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### History Of The VRI Program

In 1964, Congress enacted legislation providing for a limited reopening of NSLI and VSLI. Beginning May 1, 1965, veterans who had been eligible to obtain insurance between October 8, 1940 and January 1, 1957, could once again apply for government life insurance. They had one year to apply for this “reopened” insurance that was available *only* to disabled veterans. Approximately 228,000 VRI policies were issued. No term insurance policies were issued in this program.

### Premium Rates

Premium rates for this insurance depend on the nature and severity of the disability.

If the disability is:	The premium rate:
Service-connected	varies from standard to a maximum of two to three times the standard
Non-service-connected but serious	varies from two to three times the standard to a maximum of \$50 per month plus the standard monthly premium rate per \$1,000 of insurance

Favorable claim rates and rising interest levels made possible the following premium changes and reductions:

Effective Date	VRI Premium Rate Changes
October 1970	Premium rates were reduced by an average of 18 percent for all policies with "J" prefixes (those policies issued at standard rates).
October 1976	Premium rates were reduced by an average of 22 percent for all "J" policies and 34 percent for all "JR" policies.
October 1977	All premium paying "JS" policies were declared fully paid-up.
May 1989	The administrative cost premium of 42 cents a month per policy was eliminated. This additional premium was designed to fund the administrative costs of the program. However, when the excess earnings of the program became sufficient to fund the program costs, the additional premium was no longer necessary.

### Dividends Paid To VRI Policyholders

The VRI program began paying dividends in 1980 in order to more equitably distribute the surplus earnings of the program. A total of \$8.1 million in dividends will be paid to VRI policyholders in 2009.

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## Disability Provisions

VRI policies provide for:

- A waiver of premium at no extra cost based on the insured's total disability lasting six months or longer, and starting prior to age 65.
- An optional total disability income benefit covering disability occurring before age 65 for "J" policyholders. (This is *not* available on policies prefixed by "JR" or "JS".) Payments are made at the rate of \$10 monthly per \$1,000 of coverage, as long as the insured remains totally disabled.

### VRI Historical Information:

Opened _____	May 1, 1965
Closed _____	May 2, 1966
Number of Policies Issued _____	227,882
Face Value of Policies Issued _____	\$1,601,504,500
Average Face Value of Policies Issued _____	\$7,028

### VRI Current Information:

Number of Veterans Insured _____	34,069
Total Amount of Insurance in Force _____	\$382,975,710
Average Coverage Per Veteran _____	\$11,241
Average Attained Age _____	83.6
Average Annual Death Rate _____	94.1 per 1,000
Total Investments of the VRI Fund _____	\$375,132,159
Average Rate of Return on Investments FY 2008 _____	6.0%
Total Disbursements FY 2008 _____	\$53,402,191
Dividend Distribution 2009 _____	\$8,100,000
Average 2009 Dividend Per Veteran _____	\$244

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## Service-Disabled Veterans Insurance - S-DVI (Policies Prefixed by “RH” or “ARH”)

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### History Of The S-DVI Program

In addition to Veterans' Special Life Insurance, which was provided to healthy veterans, the Insurance Act of 1951 also established the Service-Disabled Veterans Insurance (S-DVI) program for veterans with service-connected disabilities. S-DVI is open to veterans **separated from the service on or after April 25, 1951, who receive a service-connected disability rating of 0% or greater**. New policies are still being issued under this program. During fiscal year 2008, 13,016 new S-DVI policies were issued.

### Eligibility Requirements For S-DVI Insurance (“RH”)

**In order to be eligible for S-DVI, a veteran must have:**

- 1. received other than a dishonorable discharge.**
- 2. been released from active duty after April 25, 1951.**
- 3. received a rating for a *new* service-connected disability within the last 2 years.**
  - ✓ **The veteran does not need to have a 100% rating to be eligible. Veterans who receive a new rating of even 0% are eligible for the coverage.**
  - ✓ **The veteran must apply for the insurance within two years from the date they are notified that service-connection has been established.**

### Eligibility Requirements For Supplemental S-DVI (“Supplemental RH”)

The Veterans' Benefits Act of 1992, provided for \$20,000 of supplemental coverage to S-DVI policyholders. *Premiums may not be waived on this supplemental coverage.* S-DVI policyholders are eligible for this supplemental coverage if:

1. they are eligible for 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.
3. they are under age 65.

Between December 1992 and September 2008, VA has approved 33,558 applications for “supplemental RH”.

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## Gratuitous S-DVI (“ARH”)

Congress enacted legislation in 1959 to protect veterans who become incompetent from a service-connected disability while eligible to apply for S-DVI, but who die before an application is filed.

“ARH” insurance is:

1. Issued posthumously;
2. Payable to a preferred class of the veteran's relatives;
3. Payable in a lump sum only.

*(Conditions for eligibility and payment of gratuitous S-DVI are discussed in greater detail on page 76)*

## Premiums For S-DVI Insurance

To provide financial relief from the high premium rates at advanced ages, "RH" term premiums were “capped” at the age 70 renewal rate effective November 1, 2000. This means that the annual premium for these policies will not exceed \$69.73 per \$1,000 of coverage.

Premiums charged for S-DVI coverage are:

- Based on the rates a healthy individual would have been charged when the program began in 1951.
- Waived for totally disabled veterans (44% of S-DVI policies are on premium waiver).
- Insufficient to pay all of the claims because the program insures many veterans with severe disabilities.
- Supplemented on an annual basis by Congressional appropriations.

There are no reserves or surplus funds in this program. Therefore, dividends are *not* paid.

## Disability Provisions

S-DVI policies (except supplemental coverage) provide for a waiver of premiums benefit at no extra cost. In order to qualify for this waiver, the insured must incur a total disability that lasts six months or longer and starts before age 65.

Additionally, waiver can still be obtained even if the total disability commenced prior to the effective date of the policy, provided that the total disability is service-connected. This latter provision is only applicable to S-DVI policies.

The optional Total Disability Income Provision is not available under this program.

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**Visit our Website: [www.insurance.va.gov](http://www.insurance.va.gov)**

## Apply for S-DVI Insurance Online

Veterans can now apply for Service-Disabled Veterans Insurance by going to the VA insurance website at [www.insurance.va.gov](http://www.insurance.va.gov) and following the link to “Apply for Service-Disabled Veterans’ Insurance Online.” The new AutoForm (Automated Form) application will walk the veteran through the application step-by-step. The veteran can review different insurance plans and calculate premiums. We’ll help the veteran determine if they are eligible for this insurance. The application can be saved on our secure server if the veteran is not able to complete it in one session. The application is submitted electronically via our secure server. The application can also be printed and mailed or faxed to us.

## Application Forms

The forms listed below are to be used in the following situations:

<i>If the Veteran</i>	<i>The Veteran should file</i>
<ul style="list-style-type: none"> <li>would like to apply for S-DVI coverage</li> <li>has a service-connected disability <i>and</i></li> <li>is applying for S-DVI within two years of the granting of that disability</li> </ul>	VA Form 29-4364 (Application for Service-Disabled Insurance)
<ul style="list-style-type: none"> <li>has been awarded S-DVI coverage</li> <li>has a total disability that began prior to his/her 65<sup>th</sup> birthday</li> <li>would like to apply for a Waiver of Premiums</li> </ul>	VA Form 29-357 (Claim for Disability Insurance Benefits)
<ul style="list-style-type: none"> <li>has been awarded S-DVI coverage</li> <li>is receiving a waiver of premiums <i>and</i></li> <li>is under age 65 and within one year of the granting of waiver of premiums</li> <li>would like an additional \$20,000 in coverage (“supplemental RH”)</li> </ul>	VA Form 29-0188 (Application for Supplemental Service Disabled (RH) Life Insurance)

*To expedite the processing of their application, the veteran should include a copy of the latest rating decision if they received it from VA.*

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## S-DVI Historical Information

Opened _____	April 25, 1951
Number of Policies Issued _____	480,635
Face Value of Policies Issued _____	\$4,662,904,829
Average Face Value of Policies Issued _____	\$9,702

## S-DVI Current Information

Number of Veterans with 5-year Term Policies _____	58,123
Number of Veterans with Permanent Plan Policies _____	110,226
Total Amount of Insurance in Force _____	\$1,965,272,198
Average Coverage Per Veteran _____	\$11,674
Average Attained Age _____	60.0
Average Annual Death Rate _____	34.9 per 1,000
Total Disbursements FY 2008 _____	\$110,583,185
Percentage of Policies on Premium Waiver _____	44%

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# Veterans' Mortgage Life Insurance

## VMLI

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### History Of The VMLI Program

The Veterans' Mortgage Life Insurance (VMLI) program began in 1971, and is designed to provide financial protection to cover eligible veterans' home mortgages in the event of death. In the strict sense of the word, this is actually mortgage insurance. VMLI is issued to those severely disabled veterans who have received grants for Specially-Adapted Housing from VA. These grants are issued to veterans whose movement is substantially impaired because of their disability.

The maximum amount of VMLI allowed an eligible veteran is \$90,000. The insurance is payable if the veteran dies before the mortgage is paid off. We will pay the amount of money still owed on the mortgage up to \$90,000. *The insurance is payable only to the mortgage lender.*

### Eligibility For VMLI

The insurance is restricted to those veterans who receive grants for the purchase of Specially-Adapted Housing under the authority of title 38, US Code, chapter 21. Grants are available to veterans who are entitled to compensation for service-connected, permanent and total disabilities for one or more of the following conditions:

- 1) Loss or loss of use of both legs.
- 2) Blindness in both eyes plus the loss or loss of use of one leg.
- 3) Loss or loss of use of one leg with residuals of organic disease or injury that affects balance or propulsion.
- 4) Loss or loss of use of one leg together with the loss or loss of use of one upper extremity that affects balance or propulsion.

On December 6, 2002, Congress passed legislation allowing veterans to retain their VMLI coverage past age 70. Previously VMLI coverage ceased when the insured reached age 70. *Note:* Coverage cannot be issued after age 69.

### Coverage Amounts

VMLI coverage decreases as the insured's mortgage falls below \$90,000. This reduced coverage cannot be reinstated. For example, if the insured has a \$125,000 mortgage on his or her home, then:

- The maximum amount of VMLI insurance coverage is \$90,000.

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- Coverage will remain at \$90,000 until the mortgage balance goes below \$90,000. Once the mortgage balance goes below \$90,000, the insurance coverage will decrease at the same rate as the mortgage amount.
- As the mortgage balance decreases below \$90,000, the difference between \$90,000 and the mortgage balance is “used up” and cannot be reinstated for that particular home.

However, if the home is sold and a new home is purchased, the veteran becomes eligible once again for the maximum amount of coverage.

## Payment of VMLI proceeds

Certain conditions apply to the payment of VMLI benefits:

- The insurance is payable at the death of the veteran ***only to the mortgage holder***.
- No insurance is payable if the mortgage is paid off before the death of the insured or if it was paid off by other mortgage insurance before the VMLI payment is made.
  - \* This is important to consider if the veteran is thinking of purchasing mortgage insurance in addition to VMLI, or if he or she has obtained a mortgage through a state veterans program that requires them to enroll in the state’s insurance program (California and Oregon have such programs). Some mortgage insurance programs will pay the outstanding mortgage balance first and *then* pay any remaining money directly to a named beneficiary. Others, like VMLI, will pay the outstanding mortgage balance only to the mortgage company - no further payments are made. Therefore, if there is duplicate coverage, a veteran’s next of kin would be encouraged to contact VA **first** for the payment of VMLI benefits and *then* file a claim with other programs. However, there is no guarantee of an additional payment even if the VMLI insurance is paid first.
- If title to the property is shared by the veteran in any ownership other than joint ownership (such as tenancy in common, or fractional shares), then the insurance coverage is only for the percentage of the title that is in the veteran's own name.

The insurance will be canceled for any of the following conditions:

- 1) The mortgage is paid in full.
- 2) Termination of the veteran's ownership of the property securing the loan.
- 3) The request of the veteran.
- 4) Failure of the veteran to submit required information.
- 5) The veteran stops paying the premiums.

## VMLI Premium Rates

Effective October 1, 2005, VMLI premiums were reduced. VMLI premiums were automatically reduced for virtually all VMLI policyholders by an average of 35 percent.

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VMLI premiums are determined by the insurance age of the veteran, the outstanding balance of the mortgage at the time of application, and the remaining length of time the mortgage has to run. Veterans who desire insurance will be advised of the required premium when it is determined. Premiums *must* be paid by deduction from the veteran's monthly compensation or pension payments, if the veteran is receiving such payments. If such payments are not being received, the veteran may make direct payments on a monthly, quarterly, semiannual, or annual basis, to the VA Insurance Center in Philadelphia, Pennsylvania.

<b>VMLI Program</b>	
Opened _____	August 11, 1971
Number of Veterans Covered _____	2,309
Total Amount of Insurance in Force _____	\$164,745,952
Average Coverage Per Veteran _____	\$71,349
Average Attained Age _____	56.1
Average Annual Death Rate _____	60.7 per 1,000

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# Servicemembers' Group Life Insurance SGLI

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## History Of The SGLI Program

The Servicemembers' Group Life Insurance (SGLI) program was established in 1965, for Vietnam Era service members. SGLI is supervised by the Department of Veterans Affairs and is administered by the Office of Servicemembers' Group Life Insurance (OSGLI) under terms of a group insurance contract. This program provides low-cost term insurance protection to service members.

## Eligibility For SGLI

Full-time coverage is available for:

- Commissioned, warrant and enlisted members of the Army, Navy, Air Force, Marine Corps and Coast Guard
- Commissioned members of the National Oceanic and Atmospheric Administration and the Public Health Service
- Cadets or midshipmen of the four United States Service Academies
- Ready Reservists scheduled to perform at least 12 periods of inactive training per year
- Members of the Individual Ready Reserves who volunteer for assignment to a mobilization category

Part-time coverage is available for eligible members of the Reserves and ROTC who do not qualify for full-time coverage.

The participation rate for fiscal year 2008 was 99% for active duty and 93% for Ready Reserve.

## Coverage Amounts

**Effective September 1, 2005**, the maximum SGLI coverage was increased to **\$400,000**. This coverage is:

- Automatic at the time of entry into a period of active duty or reserve status.
- Available only in \$50,000 increments up to the maximum of \$400,000 of insurance.

Members may decline coverage or may elect reduced coverage by completing form SGLV-8286. However, if such a member later wishes to obtain or increase coverage, proof of good health will be required.

**NOTE:** *Reservists called to active duty, are **automatically** insured for \$400,000 regardless of whether or not they had previously declined coverage, or elected a lesser amount of coverage while on reserve duty. They can reduce or decline coverage when they are called to active duty by completing form SGLV-8286.*

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## SGLI Premiums Rates

**Effective July 1, 2008**, the basic SGLI premium rate was decreased from 7.0 cents per month per \$1,000, to 6.5 cents per month per \$1,000.

The tables below show illustrative premium rates for both full-time and part-time Active Duty and Reservists:

Active Duty/Reservists Full-Time Coverage Monthly Premium* (All Ages)		Active Duty/Reservists Part-Time Coverage Annual Premium* (All Ages)	
Amount of Insurance	Effective July 1, 2008	Amount of Insurance	Effective July 1, 2008
\$50,000	\$3.25	\$50,000	\$3.25
\$100,000	\$6.50	\$100,000	\$6.50
\$150,000	\$9.75	\$150,000	\$9.75
\$200,000	\$13.00	\$200,000	\$13.00
\$250,000	\$16.25	\$250,000	\$16.25
\$300,000	\$19.50	\$300,000	\$19.50
\$350,000	\$22.75	\$350,000	\$22.75
\$400,000	\$26.00	\$400,000	\$26.00

\* These premiums **do not** include the \$1.00 premium for TSGLI coverage. To calculate the total premium that would be due, add \$1.00 to each rate shown. (e.g., for \$200,000 of insurance coverage the premium would be \$14, for \$400,000 of insurance coverage, the premium would be \$27, etc.)

## Coverage Periods

Full-time coverage is effective:

- throughout a member's period of active duty or qualifying reserve status.
- for a 120-day free period following separation or release from active duty or reserve status.

**Full-time coverage is also effective for up to two years\* for members who are totally disabled at the time of separation.**

\* On June 15, 2006, the President signed P.L. 109- 233, the Veterans' Housing Opportunity & Benefits Improvement Act of 2006 extended the free coverage period from one year to two years. As a result of this change, service members who have a SGLI policy and are totally

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disabled from the time they separate from service can now keep their SGLI coverage for up to two years at no cost to them. Although this coverage is free, it must be applied for to the OSGLI after separation.

Part-time coverage is effective:

- only on the days of active duty or active duty for training and for periods of travel to and from such duty.
- for a free period of 120 days if a member under part-time coverage incurs a disability or aggravates a preexisting disability while performing a period of duty.

## Beneficiary Selection

Any **beneficiary** can be named. If none is selected, the insurance is distributed, by law, in the following order:

- 1) spouse, or if none,
- 2) children, or if none,
- 3) parents, or if none,
- 4) executor of estate, or if none,
- 5) other next of kin.

In an effort to protect spouses of service members, effective September 1, 2005, the President signed into law a measure which requires that a spouse of a service member must be notified by their branch of service if the member chooses not to be insured under SGLI or to be insured for less than the maximum amount. The law also requires the spouse be notified if the service member names someone other than the spouse or child of the member as the beneficiary.

## Payment Of Policy Proceeds

SGLI proceeds can be paid in a lump sum *or* over a 36-month period.

If the proceeds are to be paid in a lump sum, then beneficiaries of SGLI and VGLI will receive the payment of their insurance proceeds via an “**Alliance Account**”. An Alliance Account is an interest bearing draft account with an account book similar to a checking account. Insurance proceeds are deposited in the beneficiary’s name and the beneficiary can write drafts for any amount up to the full amount of the proceeds. The Alliance Account:

- earns interest at a competitive rate
- is guaranteed by Prudential Insurance Company of America
- gives the beneficiary time to make important financial decisions while their funds are secure and earning interest
- gives the beneficiary immediate access to their money at all times

Note: Beneficiaries cannot deposit additional funds into the Alliance Account.

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**Beneficiary Financial Counseling Services (BFCS)** is an extra benefit offered to beneficiaries of SGLI and VGLI policies as well as TSGLI claimants, at no charge. Once a claim is settled, a beneficiary or claimant can receive free professional financial advice provided by FinancialPoint by calling toll-free at 1-888-243-7351 (SGLI or VGLI) or 1-800-428-3416 (TSGLI). BFCS offers:

- Personalized Service – The beneficiary receives a financial plan tailored to their situation with action steps addressing their specific needs.
- Objective Advice – The beneficiary benefits from the advice of financial professionals who have no products to sell, do not receive a commission for their services and are not affiliated with any banks or investment firms.
- Convenience – The beneficiary can speak with a financial counselor at any time to get answers to questions they may have about their financial plan.

**Accelerated Benefits Option (ABO)** gives terminally-ill SGLI and VGLI policyholders access to the death benefits of their policies before they die. This is a one-time benefit only. The member may receive a portion of the face value of the insurance in a lump-sum payment subject to the following:

- Terminally ill insureds will have access of up to 50 percent of the face amount of their coverage during their lifetime.
- This money will be available in increments of \$5,000.
- An insured must have a medical prognosis of life expectancy of nine months or less.

## Insurance Options After Separation From Service

When released from active duty or the Reserve, members with full-time SGLI coverage can convert their coverage to Veterans Group Life Insurance *or* to an individual permanent plan commercial life insurance policy with any one of 43 participating commercial insurance companies.

<b>SGLI Program – Member Coverage</b>	
Opened _____	September 29, 1965
Number of Members Covered _____	2,356,500
Total Amount of Insurance in Force _____	\$889,829,800,000
Average Coverage Per Member _____	\$377,607
Average Attained Age _____	29.9
Average Annual Death Rate _____	0.96 per 1,000

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# SGLI Traumatic Injury Protection Program TSGLI

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## History Of The TSGLI Program

The Traumatic Injury Protection (TSGLI) Program became effective December 1, 2005. TSGLI is automatic coverage for those covered under SGLI. It provides insurance payments to members who suffer certain serious traumatic injuries in service. The purpose of the program is to provide short-term financial assistance to traumatically injured service members in order to lessen the economic burden on them and their families during an often extensive recovery and rehabilitation process.

## Eligibility For TSGLI Coverage

### Who is covered under TSGLI

All service members who have SGLI coverage are automatically covered by TSGLI. It is not optional coverage. TSGLI coverage applies to active duty members, reservists, funeral honors duty and one-day muster duty.

### Who is *not* covered under TSGLI

This coverage does *not* apply to spouses and children covered under Family SGLI, nor to those covered under the VGLI program.

A member who wants to file a claim for the traumatic injury benefit should contact their uniformed service to begin the certification process (go to [www.insurance.va.gov/sgliSite/TSGLI/TSGLI.htm](http://www.insurance.va.gov/sgliSite/TSGLI/TSGLI.htm) for contact information). Each uniformed service will determine a member's eligibility for traumatic injury protection benefits and will provide certification for payment to the member.

## Coverage Amounts

TSGLI payments will range from \$25,000 to a maximum of \$100,000, depending on the type and severity of injury. TSGLI does not provide payments for losses due to illness or disease. (For injuries that are covered by, or excluded from TSGLI, see "Injuries Covered by TSGLI" and "Losses Excluded From TSGLI Payment" below.)

TSGLI benefits are also payable retroactively to any member (whether they were insured for SGLI or not) who suffered a qualifying traumatic injury between October 7, 2001 and December 1, 2005 in Operation Enduring Freedom or Operation Iraqi Freedom.

## TSGLI Premiums

Premiums for the traumatic injury coverage are \$1.00 per month and are deducted from the service member's pay.

### Questions About TSGLI?

- Visit our website:  
[www.insurance.va.gov](http://www.insurance.va.gov)
- or*
- call OSGLI toll-free:  
**1-800-419-1473**

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## Injuries Covered by TSGLI

TSGLI covers certain specific losses as listed in the “TSGLI Schedule of Losses” (go to [www.insurance.va.gov/sgliSite/TSGLI/TSGLI.htm](http://www.insurance.va.gov/sgliSite/TSGLI/TSGLI.htm) for this schedule). These losses include the following categories and certain combinations thereof:

- Total and permanent loss of sight, speech, or hearing
- Amputation of hand (includes loss of four fingers on the same hand or loss of thumb)
- Amputation of foot (includes loss of all toes)
- Loss of four toes on the same foot or loss of big toe
- Limb salvage
- Quadriplegia, paraplegia, hemiplegia, or uniplegia
- Burns
- Facial reconstruction
- Coma from traumatic injury
- Inability to carry out the activities of daily living due to traumatic brain injury
- Inability to carry out the activities of daily living due to other traumatic injury
- Continuous 15-day inpatient hospital care due to traumatic injury

## Losses Excluded From TSGLI Payment

The following losses are excluded from TSGLI payment:

- 1) Losses caused by:
  - a) a mental disorder.
  - b) a mental or physical illness or disease, unless the illness or disease is caused by
    - (1) a pyogenic (pus forming, often from a wound) infection, biological, chemical, or radiological weapon, or
    - (2) accidental ingestion of a contaminated substance.
  - c) attempted suicide,
  - d) self-inflicted wounds,
  - e) diagnostic procedures, preventive medical procedures such as inoculations, medical or surgical treatment for an illness or disease, or any complications arising from such procedures or treatment, or
  - f) the member’s willful use of an illegal or controlled substance, unless administered or consumed on the advice of a medical professional.
- 2) Injuries sustained while committing, or attempting to commit, a felony.



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# Significant New Changes in the SGLI Traumatic Injury Protection (TSGLI) Program

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## The TSGLI Year-One Review



TSGLI coverage became effective on December 1, 2005 for all participants in the Servicemembers Group Life Insurance (SGLI) program. As the original program was being implemented, VA announced that it would implement a Year One Review of TSGLI. This review would be undertaken to assure that the TSGLI program was meeting its intended purpose, that all appropriate conditions were being covered, and that the program was operating efficiently and effectively. VA wanted to ensure that the TSGLI program is fulfilling its mission to provide short-term financial assistance to severely injured service members and their families and to improve the administration of the program.

VA, in cooperation with DoD, undertook a complete evaluation of the losses covered by the TSGLI program as well as the definitions of eligibility. They met with and requested information from a variety of medical experts, performed independent research, made site visits to medical treatment facilities, had discussions with advocacy groups and case managers, received input from the claims processors in the branches of service, and conducted a comprehensive analysis of over 200 completed cases. Since TSGLI was broadly modeled after Accidental Death and Dismemberment (AD&D) benefits in the commercial insurance industry, VA also examined industry trends relating to AD&D benefits over the last two years.

## Program Design Enhancements

The TSGLI legislation mandated coverage of certain specific losses: the total and permanent loss of sight, speech or hearing, amputation of hand or foot, loss of thumb and index finger, quadriplegia, paraplegia, or hemiplegia, burns, coma, or the inability to carry out the activities of daily living resulting from traumatic injury to the brain. The legislation also authorized the Secretary of Veterans Affairs, in collaboration with the Secretary of Defense, to prescribe additional losses.

The following program design changes, all of which were brought to the Team's attention by medical professionals and other stakeholders who are involved with the TSGLI program, were made part of the TSGLI regulation changes, which became effective on November 26, 2008.

## Expansion of Covered Losses

### 1) Loss of Sight

Loss of Sight lasting 120 days or more is considered as "permanent", qualifying the service member for the same payment rate as for permanent loss of sight (\$100,000 for both eyes, \$50,000 for one eye).

### 2) Uniplegia

Uniplegia (complete and total paralysis of one limb) has been added to the schedule of losses with payment at \$50,000.

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### **3) Amputation of the Hand**

The definition of amputation of the hand has been expanded to include loss of four fingers (on the same hand) or loss of thumb, with payment remaining at \$50,000 for one affected hand and \$100,000 for both hands.

### **4) Amputation of the Foot**

The definition of amputation of the foot has been expanded to include loss of all toes, with the payment remaining at \$50,000 for one affected foot and \$100,000 for both feet.

### **5) Loss of Four Toes**

A new category has been created for loss of four toes (on the same foot and not including the big toe) with payment at \$25,000 for one affected foot and \$50,000 for both feet.

### **6) Loss of Big Toe**

A new category has been created for the loss of the big toe, with payment at \$25,000 for one affected foot and \$50,000 for both feet.

### **7) Limb Salvage**

Coverage has been expanded to include limb salvage (multiple surgeries intended to save a limb rather than amputate) with payment equivalent to amputation.

### **8) Burns**

The burn standard, currently 3rd degree (full thickness) burns to at least 30% of face or body, has been expanded to include 2nd degree (partial thickness) burns to at least 20% of the face or body.

### **9) Hospitalization as a Proxy for ADL Loss**

Continuous 15-day inpatient hospital care is deemed a proxy for the first ADL eligibility period for Other Traumatic Injury (OTI) and Traumatic Brain Injury (TBI) claims.

### **10) Facial Reconstruction**

Facial Reconstruction, required as a result of traumatic avulsion of the face or jaw that causes discontinuity defects, has been added to the schedule of losses, with payment levels of \$25,000 to \$75,000, depending upon the severity of the injury.

## **Claims Assistance, Outreach and Administrative Efficiency Enhancements**

### **1) Case Management Model**

A case management approach for TSGLI claims, as recommended by the Team, is being implemented at the major Military Treatment Facilities. This model utilizes dedicated on-site staff to control and shepherd a patient's claim through all aspects of the claims process.

### **2) TSGLI Claimants Who Are Incompetent to Pursue a Claim**

VA has included a provision in the revised TSGLI regulation that would authorize a Military Trustee under the authority of 37 U.S.C. § 602 to file claims and receive TSGLI payments on behalf of incompetent members.

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### 3) Improved Claim Form

A new TSGLI claim form has been introduced. The form was revised based on feedback from claimants, case managers, medical professionals, TSGLI processing offices, and usability testing results. The new claim form is available on the VA Insurance website under “Traumatic SGLI” at <http://www.insurance.va.gov/sgliSite/TSGLI/TSGLI.htm>.

### 4) Schedule of Losses

A simplified presentation of the Schedule of Losses has been developed and made available on the VA Insurance website at <http://www.insurance.va.gov/sgliSite/TSGLI/TSGLI.htm>.

### 5) TSGLI and Combat-related Injury and Rehabilitation Pay (CIP)

In May 2008, CIP was replaced by the Pay and Allowance Continuation (PAC) program. PAC authorizes the continuation of pay and allowances for up to one year to service members who incur a wound, injury or illness in the line of duty while serving in a combat operation or combat zone and are hospitalized for treatment. The Review Team had received anecdotal evidence that interaction with CIP was one factor in the lengthy delays in initiating TSGLI claims, since receipt of TSGLI was a triggering event for the termination of CIP. Many CIP-eligible members delayed applying for TSGLI as long as possible to allow CIP to continue. One of the improvements that the PAC program has over the CIP program is that it de-links a member’s entitlement from TSGLI.

## Eligibility and Effective Date of Changes

VA published regulations implementing the program changes effective November 26, 2008.

### Entitlement Dates

All new and revised losses are retroactive to the earliest eligibility date of the TSGLI program, October 7, 2001.

Losses due to traumatic events from October 7, 2001 through November 30, 2005 must have been incurred in Operations Enduring Freedom (OEF) or Operation Iraqi Freedom (OIF), which means:

- during deployment outside of the United States on orders in support of OEF or OIF
- **or**
- while serving in a geographic location that qualified the service member for the Combat Zone Tax Exclusion under the Internal Revenue Service Code.

*Note: If this criteria is met, it does not matter whether the service member had SGLI coverage during this retroactive period.*

*For losses due to traumatic events incurred from December 1, 2005 to the present, the loss can occur anywhere, regardless of OEF/OIF status, as long as the member was covered by SGLI at the time of the traumatic event.*

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## **New Applications**

If service members or veterans wish to file a claim based on the new or revised losses, their branch of service TSGLI office will be able to provide them with claim filing guidance, appropriate claim forms, and claims processing information regarding the new, existing, and revised losses. The branches of service will determine eligibility based on the program additions and changes. Contact information for the branch of service TSGLI offices is available on the VA insurance website at <http://www.insurance.va.gov/sgliSite/TSGLI/TSGLI.htm>.

## **Previously Filed Claims (Denied Claims and Claims where less than \$100,000 Paid)**

If the service member or veteran previously filed a claim, their branch of service TSGLI office will determine their eligibility for any new TSGLI benefits based on the program changes. Based on guidance provided by VA, *the branch of service TSGLI offices will automatically reconsider all previously denied claims and all claims in which less than \$100,000 has been paid to determine if new benefits under the revised program provisions are payable.*

In either situation, if service members or veterans are determined eligible for a benefit, they will be contacted to confirm their current address and banking information without any action on their part.

In addition, VA is conducting data mining from the Joint Patient Tracking and Veterans Tracking Applications (JPTA/VTA) to identify veterans who may have suffered one or more of the new losses or who have losses under the former criteria but never filed a claim.

To expedite the process, service members or veterans who believe they could qualify under the new program changes should contact their branch of service TSGLI office to ensure that:

1. Their previous claim is being reviewed for a new eligibility determination
2. All the required information is of record; and
3. Their current contact and banking information is up to date.

## **Additional VA Assistance to the Branches of Service in Support of TSGLI Program Enhancements**

VA provided extensive training to the branches of service TSGLI staffs, medical professionals, patient care coordinators and other stakeholders regarding the program changes. VA also prepared a detailed Procedures Guide for use by the branches, worked closely with them to develop outreach letters and procedures, and is closely monitoring the branches' progress in identifying and paying those who are eligible under the new criteria.

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# Servicemembers' Group Life Insurance Family Coverage FSGLI

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## History Of The FSGLI Program

The Veterans' Survivor Benefits Improvements Act of 2001 extended life insurance coverage to spouses and children of members insured under the SGLI program.

## Eligibility For SGLI Family Coverage

Family coverage is available for the **spouses** and **dependent children** of:

- Active duty service members and
- Members of the Ready Reserve of a uniformed service

**Note:** *Family coverage is available only for members insured under the SGLI program. Family coverage is not available for those insured under the VGLI program.*

## Coverage Amounts

SGLI coverage for spouses and children is issued automatically. Coverage is issued based on the information in the service member's personnel record.

Group Covered	Coverage Amounts
Spouse	Up to \$100,000 coverage can be purchased for a spouse in increments of \$10,000. SGLI coverage for a spouse may not be greater than the amount of the service member's coverage. For example, if the service member has \$50,000 of SGLI coverage, the spouse can only be covered for up to \$50,000.
Children	Each dependent child of every active duty service member or reservist insured under SGLI is automatically insured for \$10,000 at no additional cost. <b>Note:</b> <i>The maximum benefit under family coverage for any one child is \$10,000. This means that if both parents are insured under SGLI, the maximum payment upon the death of the child is \$10,000.</i>

Members may decline coverage or may elect reduced coverage for their spouse by completing form SGLV-8286A, Family Coverage Election. If such a member later wishes to obtain or increase coverage for their spouse, the member must complete Form SGLV 8285A and provide proof of insurability (good health of the spouse).

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## Coverage for Stillborn Children

The Veterans' Benefits Improvement Act of 2008 (Public Law 110-389) was passed on October 10, 2008. This law provides coverage for stillborn children as insurable dependents under the FSGLI program. Previously, child coverage under SGLI had by law excluded stillborns from coverage under FSGLI. VA is drafting a regulation that will provide for the definition of a stillborn child in FSGLI. It is anticipated that the required regulation will be published in the Federal Register in mid-2009. At that time, the program will begin making payments for deaths of stillborn children of SGLI members occurring on or after October 10, 2008.

## SGLI Family Coverage Premiums

Premiums for family SGLI are automatically deducted from a service member's pay and will continue to be deducted from pay until the service member's separation from service. Coverage will continue, at no extra cost, for 120 days following separation from service.

Premiums are not withheld for children since coverage for children is free.

**Effective July 1, 2006**, premiums for SGLI spouse coverage were reduced. The table below shows the monthly premiums for a spouse based on age and amount of coverage.

Servicemembers' Group Life Insurance - Spouse Coverage Monthly Premium Rates - <i>Effective July 1, 2006</i>							
Amount of Insurance	Age of Spouse						
	34 & Below	35-39	40-44	45-49	50-54	55-59	60 & Over
\$100,000	\$5.50	\$7.00	\$9.00	\$14.00	\$27.00	\$40.00	\$52.00
90,000	4.95	6.30	8.10	12.60	24.30	36.00	46.80
80,000	4.40	5.60	7.20	11.20	21.60	32.00	41.60
70,000	3.85	4.90	6.30	9.80	18.90	28.00	36.40
60,000	3.30	4.20	5.40	8.40	16.20	24.00	31.20
50,000	2.75	3.50	4.50	7.00	13.50	20.00	26.00
40,000	2.20	2.80	3.60	5.60	10.80	16.00	20.80
30,000	1.65	2.10	2.70	4.20	8.10	12.00	15.60
20,000	1.10	1.40	1.80	2.80	5.40	8.00	10.40
10,000	0.55	0.70	0.90	1.40	2.70	4.00	5.20

Because premiums are automatically deducted from the member's pay for spouse coverage, and the existence of children for claim purposes is determined from military records, **it is important that the information in the member's personnel and payroll files concerning their spouse and children is accurate and up to date.**

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## Termination Of Family Coverage

Coverage for a **spouse** will end 120 days after any of the following events:

- The date the service member elects in writing to terminate their spouse's coverage
- The date the service member elects in writing to terminate their own SGLI coverage
- The date of the service member's death
- The date the service member separates from service
- The date of the service member's divorce from spouse

**Note:** *A spouse can convert his or her coverage to an individual permanent plan life insurance policy with any one of 43 participating commercial insurance companies. See information under "Conversion Of Family Coverage" below.*

Coverage for a **child** will end 120 days after any of the following events:

- The date the service member elects in writing to terminate their own coverage
- The date the service member separates from service
- The date of the service member's death
- The date the service member's child is no longer their dependent. A child is considered to be a dependent if:
  - the child is unmarried and is under the age of 18. This includes all natural born children, legally adopted children and stepchildren who are members of the service member's household.
  - the child is unmarried, between the ages of 18 years and 22 years and is pursuing a course of instruction at an approved educational institution.
  - the child is unmarried and becomes permanently incapable of self-support before the age of 18.

## Conversion Of Family Coverage

A spouse may elect to convert his or her coverage to an individual permanent plan life insurance policy with any one of 43 participating commercial insurance companies within 120 days following one of the "termination of family coverage" events listed above. Spouses wishing to exercise this conversion privilege should contact OSGLI at their toll-free number in order to obtain a conversion package with the appropriate information.

There are no conversion options available to children.

## Payment Of Policy Proceeds

Payments of Family SGLI proceeds are made as follows:

For the death of:	Proceeds are paid to:
A spouse	The service member
A child of one SGLI participant	The service member
A child of two married SGLI participants	The service member who was eligible for SGLI coverage the longest
A child of two separated or divorced SGLI participants	The service member who has custody of the child

It is important to understand that family insurance coverage belongs to the SGLI insured member and not to the spouse.

<b>SGLI Program – Family Coverage</b>	
Opened _____	November 1, 2001
Number of Spouses Covered _____	1,077,000
Total Amount of Spouse Insurance in Force _____	\$106,258,100,000
Average Attained Age of Spouses _____	33.0
Average Annual Death Rate of Spouses _____	0.72 per 1,000
Number of Children Covered _____	2,027,000
Total Amount of Child Insurance in Force _____	\$20,270,000,000
Average Attained Age of Children _____	8.7
Average Annual Death Rate of Children _____	0.51 per 1,000

*For more information on SGLI Family Coverage, please visit our website at:*  
<http://www.insurance.va.gov/sgliSite/FSGLI/sglifam.htm>

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# Veterans' Group Life Insurance VGLI

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## History Of The VGLI Program

In 1974, the Veterans' Group Life Insurance (VGLI) program became available. VGLI, like SGLI, is supervised by the Department of Veterans Affairs, but is administered by the Office of Servicemembers' Group Life Insurance (OSGLI). VGLI provides for the conversion of SGLI coverage to a lifetime renewable term policy of insurance protection after a service member's separation from service.

## Eligibility For VGLI

Full-time coverage is available for the following members:

- Full-time SGLI insureds who are released from active duty or the Reserves.
- Ready Reservists who have part-time SGLI coverage, and who, while performing active duty or inactive duty for training for a period of less than 31 days, incur a disability or aggravate a preexisting disability that makes them uninsurable at standard premium rates.
- Members of the Individual Ready Reserve (IRR) and Inactive National Guard (ING).

## Coverage Amounts

**Effective September 1, 2005**, the maximum amount of VGLI was increased to **\$400,000**. VGLI is issued in multiples of \$10,000 up to the maximum \$400,000 but not for more than the amount of SGLI coverage the member had in force at the time of separation from active duty or the reserves.

## VGLI Renewal

Members may renew their VGLI coverage under the following conditions:

- Members who have separated from service may renew their VGLI coverage annually for life.
- Members of the IRR or ING may renew their VGLI as long as they remain in the IRR or ING.
- Rather than renew, a member also has the right at any time to **convert** VGLI to an individual permanent plan life insurance policy with any one of 43 participating commercial insurance companies. The member can convert their VGLI in \$10,000 increments.

## How To Apply For VGLI

### Application by Mail

VGLI applications are mailed to eligible members three times: generally within 60 days after separation; just prior to 120 days after separation when the SGLI free coverage period ends; and

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again shortly before the end of the 16-month application period. Applications are mailed to the address shown on the member's DD Form 214 or equivalent separation orders. ***It is the member's responsibility, however, to apply within the time limits, even if they do not receive an application in the mail.*** Applications for VGLI coverage should be mailed to The Office of Servicemembers' Group Life Insurance, P.O. Box 41618, Philadelphia, PA 19176-9913. (Questions and general correspondence should be mailed to Office of Servicemembers' Group Life Insurance, 80 Livingston Avenue, Roseland, New Jersey 07068-1733.)

## **On-line Application**

Veterans can now apply for VGLI coverage through the VGLI Online Access portal on the Web. The veteran is walked through each step of the application process, from retrieving data automatically if OSGLI already has it on file, to presenting medical questions, if necessary, which can be completed on-line. Applications are evaluated instantly, and the veteran is informed immediately if his or her coverage is approved or if the application has been referred to OSGLI for further review. To apply on-line, go to the VA Insurance website, follow the link to the "Servicemembers' and Veterans' Group Life Insurance" website at <http://www.insurance.va.gov/sgliSite/default.htm> and click on "VGLI Online Access".

## **Time Limits To Apply For VGLI**

To be eligible, a member must apply for VGLI within the following time limits:

- Ordinarily, a member must submit an application to the OSGLI with the required premium within 120 days following separation from service.
- If a member is *totally disabled* at the time of separation from active duty *and* is granted extended free SGLI coverage by OSGLI, he or she will be automatically enrolled in VGLI at the end of the two year extension period.
- Individuals who are assigned to the IRR and ING have 120 days after assignment to apply, without evidence of good health, and one year after that with evidence of good health.
- If an application or the initial premium has not been submitted within the time limits above, VGLI may still be granted if an application, the initial premium and ***evidence of insurability*** (good health) are submitted to OSGLI within 1 year and 120 days following separation from service. ***Applications will not be accepted after one year and 120 days.***
- An application for an incompetent member may be made by a guardian, committee, conservator or curator. In the absence of a court-appointed representative, the application may be submitted by a family member or anyone acting on the member's behalf.

## **Payment Of Premiums**

Once a VGLI application is approved, the OSGLI will send the insured a certificate of coverage and will begin billing the insured monthly. There are several options available for the payment of premiums. For some of these options, the insured will receive a discount of premiums.

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Frequency of Payment	Methods of Payment Available	Premium Discount Rate
Monthly	Allotment from military retirement pay	No Discount
	Deduction from VA compensation payments	
	Check	
	On-demand deduction from checking account or credit card	
Quarterly	Check	2.50% Discount
	On demand deduction from checking account or credit card	
Semi-annually	Check	3.75% Discount
	On demand deduction from checking account or credit card	
Annually	Check	5.00% Discount
	On demand deduction from checking account or credit card	

## VGLI Premium Rates

VGLI premium rates are determined by age group and amount of insurance. VGLI is available in \$10,000 increments.

As of July 1, 2008, VGLI premium rates were reduced for those ages 30 to 64, which comprise 85 percent of those insured under the program. Sample rates are shown below:

VGLI Monthly Premium Rates						
Age	Amount of Insurance					
	\$400,000	\$300,000	\$200,000	\$100,000	\$50,000	\$10,000
Thru 29	\$32.00	\$24.00	\$16.00	\$8.00	\$4.00	\$0.80
30 thru 34	40.00	30.00	20.00	10.00	5.00	1.00
35 thru 39	52.00	39.00	26.00	13.00	6.50	1.30
40 thru 44	68.00	51.00	34.00	17.00	8.50	1.70
45 thru 49	88.00	66.00	44.00	22.00	11.00	2.20
50 thru 54	144.00	108.00	72.00	36.00	18.00	3.60
55 thru 59	268.00	201.00	134.00	67.00	33.50	6.70
60 thru 64	432.00	324.00	216.00	108.00	54.00	10.80
65 thru 69	600.00	450.00	300.00	150.00	75.00	15.00
70 thru 74	900.00	675.00	450.00	225.00	112.50	22.50
75 & Over	1,800.00	1,350.00	900.00	450.00	225.00	45.00

## High Cost of Term Insurance at Older Ages

To lessen the high cost of term insurance at the older ages, veterans should consider gradually reducing the amount of their VGLI coverage, as they get older since their insurance needs may lessen. The following is a suggested coverage reduction schedule that will allow the veteran to maintain a level premium while reducing coverage:

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Age Group	Coverage Level	Premium
65-69	\$150,000	\$225
70-74	\$100,000	\$225
75 & over	\$50,000	\$225

Following this schedule the veteran’s monthly premium would remain at \$225.00 after age 65.

## Beneficiary Selection

Any **beneficiary** can be named. If none is selected, the insurance is distributed, by law, in the following order:

- 1) spouse, or if none,
- 2) children, or if none,
- 3) parents, or if none,
- 4) executor of estate, or if none,
- 5) other next of kin.

## Payment Of Policy Proceeds

VGLI proceeds can be paid in a lump sum *or* over a 36-month period.

If the proceeds are to be paid in a lump sum then beneficiaries of VGLI will receive the payment of their insurance proceeds via an “**Alliance Account**”. An Alliance Account is an interest bearing draft account with an account book similar to a checking account. Insurance proceeds are deposited in the beneficiary’s name and the beneficiary can write drafts for any amount up to the full amount of the proceeds. The Alliance Account:

- earns interest at a competitive rate
- is guaranteed by Prudential Insurance Company of America
- gives the beneficiary time to make important financial decisions while their funds are secure and earning interest
- gives the beneficiary immediate access to their money at all times

Note: Beneficiaries cannot deposit additional funds into the Alliance Account.

**Beneficiary Financial Counseling Services (BFCS)** is an extra benefit offered to beneficiaries of SGLI and VGLI policies as well as TSGLI claimants, at no charge. Once a claim is settled, a beneficiary or claimant can receive free professional financial advice provided by FinancialPoint by calling toll-free at 1-888-243-7351 (SGLI or VGLI) or 1-800-428-3416 (TSGLI). BFCS offers:

- Personalized Service – The beneficiary receives a financial plan tailored to their situation with action steps addressing their specific needs.

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- Objective Advice – The beneficiary benefits from the advice of financial professionals who have no products to sell, do not receive a commission for their services and are not affiliated with any banks or investment firms.
- Convenience – The beneficiary can speak with a financial counselor at any time to get answers to questions they may have about their financial plan.

**Accelerated Benefits Option (ABO)** gives terminally-ill SGLI and VGLI policyholders access to the death benefits of their policies before they die. This is a one-time benefit only. The member may receive a portion of the face value of the insurance in a lump-sum payment subject to the following:

- Terminally ill insureds will have access of up to 50 percent of the face amount of their coverage during their lifetime.
- This money will be available in increments of \$5,000.
- An insured must have a medical prognosis of life expectancy of nine months or less.

## On-line Policy Access

VGLI policyholders can access their policies online by going to the VA insurance website at [www.insurance.va.gov](http://www.insurance.va.gov) and following the link to the “Servicemembers’ and Veterans’ Group Life Insurance Web site.” First time users can enter their Social Security Number and last name. After submitting this information they are then given the opportunity to create their own User ID and Password. The policyholder will then have access to his/her Veteran's Group Life Insurance record. Policyholders can view and verify account information, such as status of their coverage, payment and billing information, and beneficiary information. Address changes, name changes, and changes to coverage amounts can also be done on-line. In addition, veterans whose coverage has lapsed due to non-payment of premiums can apply online to have their coverage reinstated.

<b>VGLI Program</b>	
Opened _____	August 1, 1974
Number of Veterans Covered _____	431,281
Total Amount of Insurance in Force _____	\$55,635,915,000
Average Coverage per Veteran _____	\$129,002
Average Attained Age _____	46.7
Average Annual Death Rate _____	4.41 per 1,000

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## **Servicemembers' Civil Relief Act (SCRA)**

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### **History Of The Servicemembers' Civil Relief Act**

Congress and state legislatures have long recognized that military service can often place an economic and legal burden on service members. The Soldiers' and Sailors' Civil Relief Act of 1918 was passed in order to protect the rights of service members while serving on active duty. Service members were protected from such things as repossession of property, bankruptcy, foreclosure or other such actions while serving in the military. This Act remained in effect until shortly after World War I when it expired. The Soldiers' and Sailors' Civil Relief Act of 1940 (SSCRA) was passed in order to protect the rights of the millions of service members activated for World War II. The SSCRA has remained in effect until the present day and has been amended many times since 1940 to keep pace with the changing military. In December 2003, Congress passed legislation renaming SSCRA as the Servicemembers' Civil Relief Act (SCRA). The SCRA updates and strengthens the civil protections enacted during World War II.

### **Eligibility For Protection of Life Insurance Coverage under SCRA**

Under SCRA, the U.S. Department of Veterans Affairs (VA) will protect, from default for nonpayment of premiums, up to **\$400,000** of life insurance for service members called to active duty. The protection provided by this legislation applies during the insured's period of military service and for a period of two years thereafter. The following are conditions for eligibility for protection:

- The policy must be whole life, endowment, universal life or term insurance.
- The policy must have been in force on a premium-paying basis for at least six months at the time the service member applies for benefits and prior to the date of the insured's entry into military service.
- Benefits from the policy cannot be limited, reduced or excluded because of military service. Policies for which an additional amount of premium is charged due to military service are not eligible for protection under SCRA.

**The service member must apply for protection of their life insurance by filing VA Form 29-380 "Application For Protection Of Commercial Life Insurance Policy" with his/her insurance company and forwarding a copy of the application to VA.**

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## Benefits Of SCRA Life Insurance Protection

Once the service member has applied for protection of their life insurance policy and VA determines that the policy is eligible for protection under SCRA:

- The service member is still responsible for making premium payments. However, the policy will not lapse, terminate, or be forfeited because of the service member's failure to make premium payments or to pay any indebtedness or interest due during their period of military service or for a period of two years thereafter.
- The right of the service member to change their beneficiary designation or select an optional settlement for a beneficiary are not affected by the provisions of this Act.

## Limitations Of SCRA Life Insurance Protection

Once the service member has applied for protection of their life insurance policy and VA determines that the policy is eligible for protection under SCRA:

- Premium payments are only deferred, not waived. **During this period, the government does not pay the premiums on the policy but simply guarantees that the premiums will be paid at the end of the service member's period of active duty.**
- A service member cannot receive dividends, take out a loan, or surrender the policy for cash without the approval of VA. (Dividends or other monetary benefits shall be added to the value of the policy and will be used as a credit when final settlement is made with the insurer.)
- If the policy matures as a result of the insured's death, or any other means, during the protected period, the insurance company will deduct any unpaid premiums and interest due from the settlement amount.

## Termination Of Period Under SCRA

The service member has up to two years after their military service terminates to repay the unpaid premiums and interest to the insurer. If the amount owed is not paid before the end of the two years, then:

- the insurer treats the unpaid premiums as a loan against the policy.
- the government will pay the insurer the difference between the amount due and the cash surrender value (if the cash surrender value of the policy is less than the amount owed.)
- the amount the United States government pays to the insurance company under the SCRA Act, becomes a debt due the government by the insured.
- If the policy matures as a result of the insured's death, or any other means, during the protected period, the insurance company will deduct any unpaid premiums and interest due from the settlement amount.

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# ***Administered Program Policy Provisions***

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For policies directly **administered** by VA:  
USGLI, NSLI, VSLI, VRI, S-DVI  
(For information about the VMLI program,  
please see pages 27-29.)

For information about policies **supervised** by  
VA (SGLI and VGLI), please see pages 30-45  
and page 84.

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# Plans of Insurance

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Some of the features of the different insurance plans are described below:

## 5-Year Level Premium Term

- Available on all programs except "J," "JR," "JS"
- Renewable every five years
- May be converted to a permanent plan
- Provides low cost protection at younger ages but premiums increase substantially at the older ages
- Provides protection only and has no cash or loan values\*
- When premiums are not paid, the protection stops\*

\* Effective September 11, 2000, "capped" NSLI and VSLI term policies receive a termination dividend that protects against the lapse of the policy. For more information see page 17 for NSLI policies and page 19 for VSLI policies.

## Modified Life At Age 65

- Available on all programs except "K"
- Can only be purchased before the insured attains insurance age 61
- Affords a permanent plan of insurance at a premium that is lower than the Ordinary Life Plan premium
- Provides an automatic reduction by ½ of the face amount of the insurance on the day before the insured's 65th birthday. (The premium remains the same. The decreased amount of insurance may, without medical examination, be replaced with an Ordinary Life policy at an additional premium by making application no later than the day before the insured's 65th birthday.)

## Modified Life At Age 70

- Available on all programs except "K"
- Has the same provisions as the Modified Life at Age 65 plan, except that reduction happens on the day before the insured's 70th birthday
- Conversion to this plan can be made through insurance age 69

## Ordinary Life ("Whole Life")

- Available on all programs
- Premiums remain constant
- Premiums are payable for the lifetime of the insured

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## 30-Payment Life

- Available on all programs
- Premiums are slightly higher than on Ordinary Life
- Premiums are payable for 30 years from the effective date of the policy

## 20-Payment Life

- Available on all programs
- Premiums are higher than on 30-Payment Life
- Premiums are payable for 20 years

## 20-Year Endowment

- Available on all programs
- Premiums are payable for 20 years from the effective date of the policy
- Provides for payment of the face amount of the policy (less any indebtedness) to the policyholder at the end of the 20 years
- Policy proceeds paid in lump sum or on an installment basis

## Endowment At Age 60

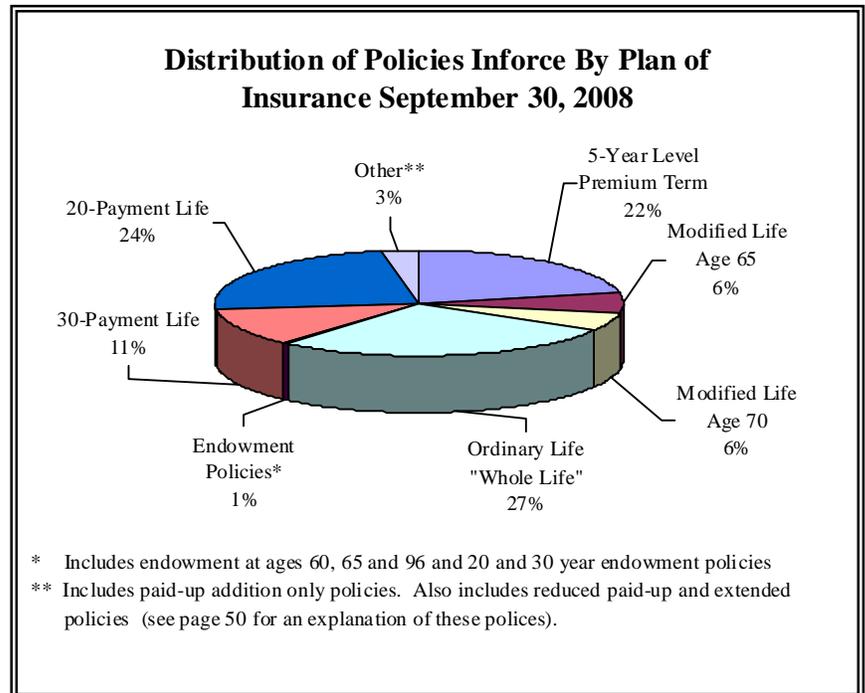
- Available on all programs except "K"
- Provides for the payment of the face amount (less any indebtedness) on the anniversary date nearest the insured's 60th birthday

## Endowment At Age 65

Same as Endowment at Age 60 except proceeds payable on the anniversary date nearest the insured's 65th birthday

## Endowment At Age 96

- Available to "K" policyholders, age 65 or older, who were still carrying insurance under the term plan
- Regular endowment plan maturing at age 96 with a level premium from the date of issue
- Does not provide permanent and total disability benefits, or waiver of premium
- Provides a waiver of premiums provision to be purchased for an additional premium at the time the insurance was exchanged



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# NSLI “V” Term Insurance

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## High Cost of Insurance for Older Veterans

The high cost of term insurance for older veterans has long been a concern of the Insurance Program. Many World War II veterans chose to retain the NSLI term coverage they obtained while in service, but unfortunately failed to convert it to a permanent plan of insurance. Term insurance becomes very expensive at older ages. As of September 2008, there are approximately 188,000 NSLI veterans who have term policies.

## The “Capping” of VA Term Policies

In 1984, a VA regulation was approved which “capped” premiums on NSLI term policies at the age 70 rate.

- When the insured veteran renews at age 70 or older, the capped rate of \$61.80 per month for \$10,000 of insurance goes into effect.
- This rate will remain level for the remaining lifetime of the policy.

## Dividends on VA Term Policies With “Capped” Premiums

One consequence of “capping” premiums on term policies is a reduction in dividends that a policyholder receives. Dividends are a refund of excess premiums paid that are not needed to pay for the costs of death claims. Since term policyholders over the age of 70 had their premiums reduced as a result of the “capping”, less premiums are received. For this reason, a reduction had to be made to dividends paid on term policies that have had their premiums capped. This reduction was made in order to offset the loss of premium income to the NSLI trust fund. However, it should be noted that term policyholders are better off after premium “capping” than before premium “capping.” The premium savings realized as a result of the premium “capping” at the age 70 rate is greater than the amount by which dividends are reduced.

## Long-term Cost of Term Policies

NSLI term policies have been in effect for more than 50 years.

- The total amount of premiums paid, or net premiums paid (premiums minus dividends), very often exceeds the face amount of insurance, which is not unusual for term insurance.
- However, in return for their premiums, those insureds received many years of insurance protection.

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## The Importance of “Net” Payment Cost of Insurance

When looking at the cost of a term policy, the following should be kept in mind:

1. the premiums paid on the policy
2. the dividends received on the policy

The “net” payment on the policy is the premiums paid on the policy minus the dividends received on the policy.

Consider the following typical NSLI term policy:

Veteran’s Age	Amount of Insurance	Number of Years Policy is in Effect	Total Premiums Paid on Policy	Total Dividends Received on Policy	“Net” Payments on Policy
82	\$10,000	60 years	\$18,500	\$9,000	\$9,500

The resulting “net” payment on this policy (premiums minus dividends) is \$9,500. This policyholder received 60 years of insurance protection for a net cost of \$9,500, an average of \$158 per year.

## Excess Revenues Returned as Dividends

**VA does not make any profit on NSLI.**

- The law specifies that NSLI be operated as a Trust Fund. Its revenues are used exclusively for the benefit of its policyholders and may not be used for any other government program.
- Any excess revenues resulting from favorable experience are returned to NSLI policyholders in the form of dividends.

## The Cost of Declaring All NSLI Term Policies “Paid-up”

The VA Insurance Service has examined the option of declaring all NSLI term policies “paid-up”. In other words, policyholders would no longer have to pay premiums. However:

- the federal outlay which would be required to accomplish this is approximately **\$637 million**. There are currently about **188,000** NSLI term policyholders.
- since the NSLI program is, by law, self-supporting, it appears unlikely that these policies will be declared paid-up, in light of the large cost involved.

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## VA Regulation Provides Paid-Up Insurance on VA Term Policies

In 2000, the Department of Veterans Affairs put into effect a regulation to provide paid-up insurance on term policies. Prior to this regulation, term policies did not have paid-up insurance.

- Under the regulation, veterans who have NSLI term insurance (renewal age 71 or older) and decide to stop paying premiums on their policies are given a termination dividend that is used to purchase a reduced amount of paid-up insurance.
- This paid-up insurance insures the veteran for life and no premium payments are required. The amount of insurance remains level.
- The amount of paid-up insurance depends on the age of the veteran at the time he stops paying his term premiums. A veteran age 80 with \$10,000 of insurance would receive about \$4,500 of paid-up life insurance. (See table below.)
- This paid-up insurance has cash values, which increase each month.
- This paid-up insurance continues to pay dividends.
- The insured can cash surrender these paid-up additions at any time.

An insured over the age of 71 who has a \$10,000 term NSLI policy and decides he or she no longer wants to pay premiums can do so. The policy automatically has a termination dividend on that date and that termination dividend will be used to purchase a limited amount of paid-up insurance (PUA). The following table illustrates the termination dividend and amount of PUA that the termination dividend can purchase at various attained ages for such an insured.

Insured's age at policy lapse	Basic insurance amount at policy lapse	Termination dividend at date of lapse*	Amount of PUA purchased with the termination dividend*
72	\$10,000	\$367	\$602
75	10,000	1,494	2,284
80	10,000	3,212	4,452
85	10,000	4,786	6,109
90	10,000	6,249	7,421
95	10,000	8,887	9,331

\*All figures are rounded to whole dollars.

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# Payment of Premiums

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## Methods Of Payment

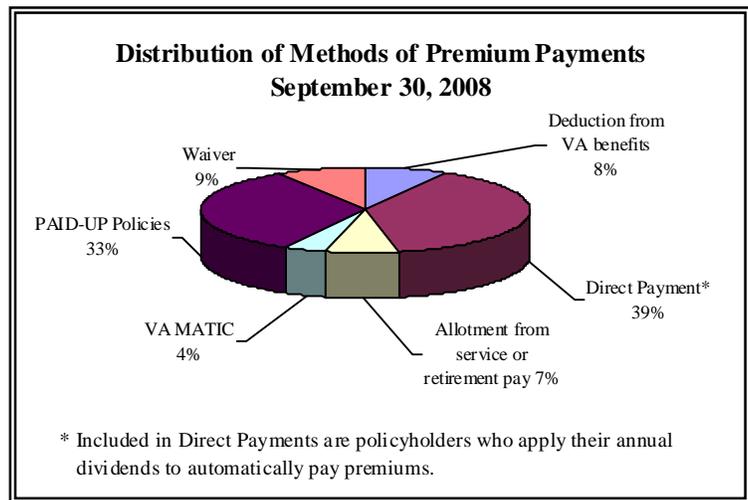
An insured has several options for paying premiums:

- Direct payment (a check or money order payable to the Department of Veterans Affairs)
- Allotment from military retirement pay
- Deduction from VA benefits (if they are receiving VA pension or compensation)
- Deduction from the insured's checking account (VA MATIC)

\* Paying premiums by allotment, deduction or VA MATIC protects against lapse. These options also save premium payment costs such as checks or money orders and postage.

- Applying annual dividends to automatically pay premiums.

\* Insureds who apply their dividends to pay premiums also receive the same lapse protection and payment savings, provided their dividend is sufficient to pay the full annual premium. If it is not, the insured is billed for the difference.



## Other Payment Options Available

An insured may provide for advance premium payments to be made quarterly, semiannually, annually, or as far in advance as the insured wishes. Insureds who pay premiums in advance benefit from:

- a premium discount
- a reduction of the insured's risk of lapse due to non-payment of premiums, and
- a savings in premium payment costs.

## Premium Due Dates

Premiums are due the same day of the month as the day the policy became effective as shown on the insurance policy (called the "anniversary date"). If the policy was effective on the first day of the month, premiums are due on the first day of the month. For any month not having a date corresponding to the effective date of a policy (i.e., 29th, 30th, or 31st), the due date is always the last day of the month.

## Grace Period

Insureds are allowed 31 days after the due date to pay any premium except the first one. If the insurance becomes a claim (insured dies) during the grace period, the unpaid premium will be deducted from the amount payable to the beneficiary.

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# WAIVER OF PREMIUMS

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## Waiver Of Premiums

A *waiver of premiums* provision is included, at no extra cost, on the following policies:

- NSLI
- USGLI (except endowment at age 96)
- VSLI
- VRI
- S-DVI policies (except supplemental S-DVI coverage)

Currently, there are 101,436 veterans whose premiums are being waived (9 percent of all policyholders.)

## Eligibility For Waiver Of Premiums

To qualify for a waiver of premiums:

- The insured must be totally disabled; this means they have a mental or physical disability that prevents them from engaging in substantially gainful employment.
- The total disability must begin **before** the insured's 65th birthday, and must continue for at least six consecutive months.
- The total disability may not begin prior to the effective date of the policy. (Exception: waiver may be granted if total disability commenced prior to the effective date only on S-DVI policies, **provided** the total disability is due to a service-connected disability.)

## Application For Waiver Of Premiums

To apply for a waiver of premiums an insured should:

- File VA Form 29-357, *Claim for Disability Insurance Benefits*. (However, any communication that shows intent to apply for the benefit, either expressed or implied, will be accepted as an informal claim.)
- File promptly because, in most cases, premiums can only be waived up to one year prior to receipt of a claim. The only instance when premiums can be waived beyond one year is if the evidence shows circumstances beyond the insured's control prevented the filing of a timely claim. This usually means a mental disability.

Once waiver is granted, it is subject to review at regular intervals. The waiver can be terminated at any time if the insured returns to gainful employment, recovers from his or her disability, or fails to cooperate in the review procedure.

For more detailed information, see VA pamphlet 29-14 (revised January 1979), *Information About Waiver Of Premiums And Total Disability Income Provision*.

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# Dividend Options

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The amount of dividend paid to a veteran depends on the age of the veteran, the type of insurance, and the length of time the policy has been in force. Dividends are paid on the following programs:

- United States Government Life Insurance (“K”)
- National Service Life Insurance (“V”)
- Veterans’ Special Life Insurance (“RS” and “W”)
- Veterans’ Reopened Insurance (“J,” “JR” and “JS”)

## Dividend Options Available

A policyholder may choose from several dividend options that are available:

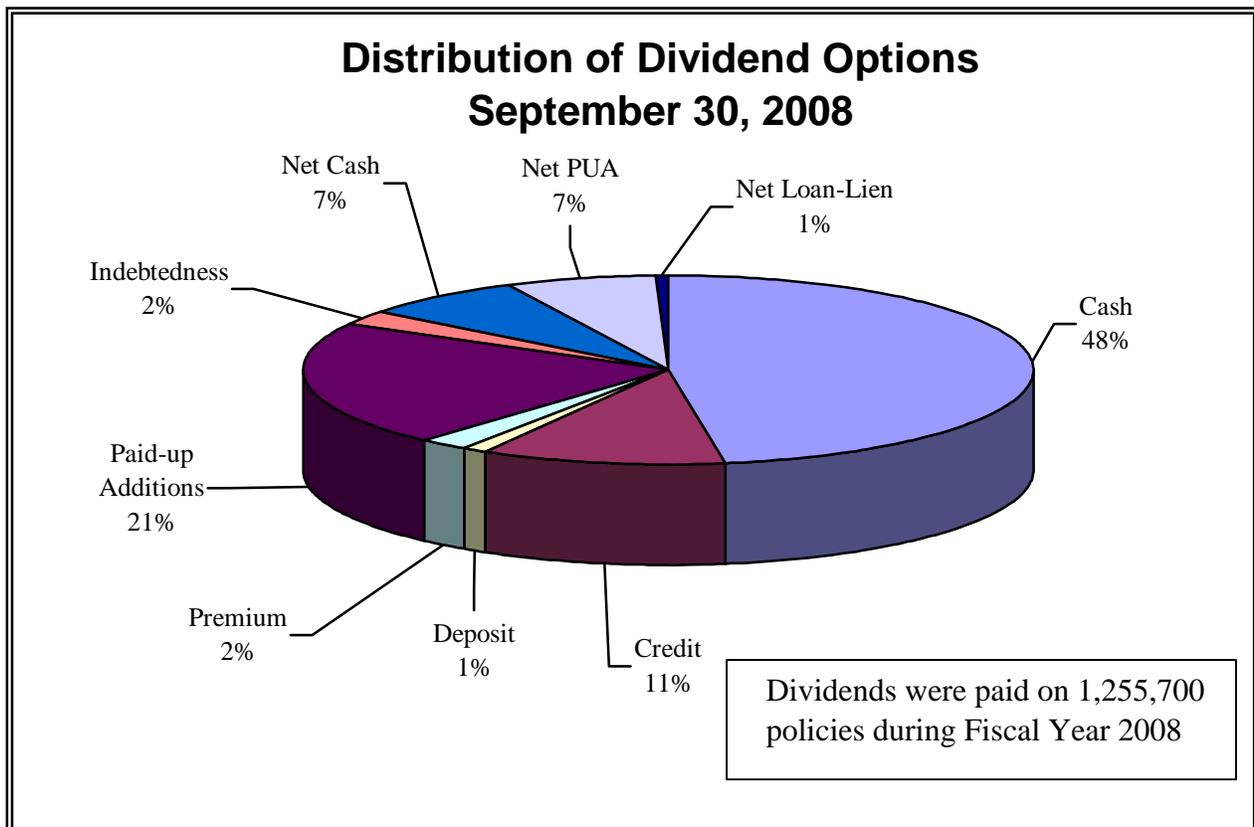
- **Cash:** Paid to policyholder by U.S. Treasury check or directly deposited into the policyholder’s bank account.
- **Credit:** Held in an account for the insured with interest
  - Can be used to prevent policy lapse
  - Will be refunded upon the insured’s request
  - Will be included in the award to the beneficiary(ies) at the time of the insured’s death
- **Deposit:** Held in an account for insured with interest
  - Available only on permanent plan policies
  - Can be used, with the net cash value, to purchase reduced paid-up insurance, or extended insurance if the policy lapses - *except* for "K" or "JS" policies (see page 64 for more information about reduced paid-up and extended insurance)
  - Will be refunded upon the insured’s request
  - Will be included in the award to the beneficiary(ies) at the time of the insured’s death
- **Premium:** Applied to pay premiums in advance

<u>Dividend Credit and Deposit Interest Rates</u>	
<u>Program</u>	<u>2009</u>
USGLI (K)	5.00%
NSLI (V)	5.25%
VSLI (RS & W)	6.00%
VRI (J, JR, JS)	5.50%

- **Paid-up Additions (PUA'S):** Used as a net single premium to purchase additional paid-up insurance
  - Available only on “V,” “RS,” “W,” “J,” “JR” and “JS” policies
  - Will be whole life if the basic insurance is a term or whole life policy
  - Will be endowment if the basic insurance is an endowment policy

As of September 30, 2008, 348,802 veterans have policies with paid-up additions totaling \$6,566,851,253.

- **Indebtedness:** Applied toward a loan or lien on a policy
- **Net Cash:** Used to pay an annual premium with any remainder paid to the policyholder under the cash option
- **Net PUA:** Used to pay an annual premium with any remainder used to purchase paid-up additional insurance
- **Net Loan-Lien:** Used to pay an annual premium with any remainder used to reduce an outstanding loan or lien



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ESTIMATED DISTRIBUTION OF 2009 DIVIDENDS BY STATE OF RESIDENCE										
	USGLI		NSLI		VSLI		VRI		TOTAL	
	NO. OF INSUREDS	AMOUNT OF DIVIDENDS*								
Alabama	71	\$8	9,849	\$3,220	1,718	\$698	355	\$86	11,993	\$4,012
Alaska	6	1	898	316	152	70	25	5	1,081	392
Arizona	143	20	18,418	5,836	3,350	1,328	652	164	22,563	7,348
Arkansas	67	8	6,226	1,971	1,101	435	236	58	7,630	2,472
California	1,151	161	80,507	26,376	14,732	6,122	2,457	596	98,847	33,255
Colorado	98	17	12,999	4,161	2,299	953	378	95	15,774	5,226
Connecticut	55	7	13,448	3,934	3,023	1,248	750	183	17,276	5,372
Delaware	18	2	2,709	798	581	217	102	25	3,410	1,042
D. of Columbia	18	3	1,321	454	253	111	44	9	1,636	577
Florida	503	69	71,151	22,880	13,919	5,680	3,461	830	89,034	29,459
Georgia	106	14	16,463	5,338	3,301	1,339	570	140	20,440	6,831
Hawaii	23	4	5,435	2,293	1,641	766	245	52	7,344	3,115
Idaho	25	3	3,805	1,131	639	269	152	37	4,621	1,440
Illinois	132	14	31,476	9,670	9,116	3,867	861	228	41,585	13,779
Indiana	53	5	12,060	3,582	2,835	1,133	340	85	15,288	4,805
Iowa	67	8	9,522	3,039	2,096	948	295	79	11,980	4,074
Kansas	45	5	7,894	2,437	1,519	649	222	60	9,680	3,151
Kentucky	46	6	7,405	2,321	1,498	598	304	74	9,253	2,999
Louisiana	49	6	8,073	2,619	1,710	736	342	86	10,174	3,447
Maine	15	3	4,293	1,258	910	345	180	44	5,398	1,650
Maryland	106	19	16,085	5,411	2,998	1,258	580	145	19,769	6,833
Massachusetts	95	12	22,868	6,209	5,533	2,144	1,870	438	30,366	8,803
Michigan	93	8	23,600	6,537	5,714	2,196	860	206	30,267	8,947
Minnesota	73	9	18,152	5,209	3,570	1,398	769	173	22,564	6,789
Mississippi	26	4	5,171	1,685	849	344	167	45	6,213	2,078
Missouri	95	11	15,521	4,615	3,441	1,377	504	128	19,561	6,131
Montana	16	2	3,264	1,011	583	249	90	21	3,953	1,283
Nebraska	40	4	5,683	1,761	1,126	509	282	77	7,131	2,351
Nevada	58	8	5,422	1,635	1,144	433	227	54	6,851	2,130
New Hampshire	18	3	4,414	1,303	1,020	386	168	38	5,620	1,730
New Jersey	90	10	26,167	7,830	7,856	3,181	1,944	488	36,057	11,509
New Mexico	34	5	5,234	1,715	916	372	179	44	6,363	2,136
New York	110	12	49,536	15,024	13,613	5,574	3,625	881	66,884	21,491
North Carolina	136	18	18,158	5,954	3,875	1,669	671	170	22,840	7,811
North Dakota	11	2	2,043	589	444	176	110	27	2,608	794
Ohio	93	9	30,777	9,005	6,363	2,507	1,385	335	38,618	11,856
Oklahoma	55	8	8,121	2,536	1,248	505	290	68	9,714	3,117
Oregon	144	18	10,719	3,324	1,794	706	305	75	12,962	4,123
Pennsylvania	122	11	44,541	12,584	10,089	3,821	2,320	552	57,072	16,968
Rhode Island	25	3	3,720	991	773	290	250	56	4,768	1,340
South Carolina	81	11	10,330	3,320	2,188	878	309	76	12,908	4,285
South Dakota	14	2	2,538	758	596	263	124	30	3,272	1,053
Tennessee	89	10	11,236	3,548	2,335	939	436	115	14,096	4,612
Texas	318	59	43,010	14,079	7,312	2,986	1,201	302	51,841	17,426
Utah	44	7	5,588	1,625	1,030	392	212	50	6,874	2,074
Vermont	7	1	1,876	567	440	173	49	12	2,372	753
Virginia	281	48	21,573	7,480	3,588	1,472	605	148	26,047	9,148
Washington	269	36	18,489	5,798	2,794	1,098	538	130	22,090	7,062
West Virginia	22	2	3,721	1,142	961	373	190	46	4,894	1,563
Wisconsin	74	6	18,025	5,349	4,077	1,637	737	175	22,913	7,167
Wyoming	5	1	1,462	458	272	118	45	11	1,784	588
U.S. Possess.	4	1	1,212	419	210	86	164	38	1,590	544
Canada	3	0	537	186	109	45	13	2	662	233
Philippines	0	0	93	26	8	3	3	1	104	30
Foreign	6	1	1,242	483	277	130	34	7	1,559	621
<b>TOTAL</b>	<b>5,348</b>	<b>\$725</b>	<b>784,080</b>	<b>\$243,800</b>	<b>165,539</b>	<b>\$67,200</b>	<b>33,227</b>	<b>\$8,100</b>	<b>988,194</b>	<b>\$319,825</b>

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\* *AMOUNT OF DIVIDENDS is in thousands of dollars*

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# Dividend Hoax --- Don't Believe It

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*False* dividend announcements which declare that Congress has recently passed a bill which entitles veterans and service members to a dividend based upon their prior years of service, are part of a recurring problem of misinformation that dates back to 1965. Unfortunately, this misinformation unnecessarily raises the expectations of veterans and service personnel and detracts from our ability to serve our veterans.

The dividend "hoax", as we refer to it, had its origins in a special dividend that the Department of Veterans Affairs (VA), then known as the Veterans Administration, did pay to World War II veterans who had National Service Life Insurance policies. Approximately \$2.7 billion was paid in 1950 to over 16 million of these veterans under the "1948 special dividend."

Some time in 1965, the special dividend news announcements of 15 years earlier resurfaced and were mistakenly published by several newspapers. The special dividend had already been paid out to virtually all eligible government life insurance policyholders and there was no new special dividend. VA moved quickly to educate the news media, but some well-meaning individuals and organizations began to publish the announcements in smaller publications, newsletters and flyers. The actual scope of the original dividend became fictionalized and some publications declared the dividend available to all veterans (not just World War II) and even to those who never carried government life insurance while in the service. The latest rumor is that active servicepersons, reservists and persons separated within the last few years are eligible.

The 1948 special dividend program required veterans to apply for the payment. Over the years the dividend story has prompted hundreds of thousands of veterans and current service members to write and "apply" for this benefit. Although the number of letters has fluctuated, we have received as many as 15,000-20,000 inquiries per week about this dividend in the past. Because of the volume of these requests for a nonexistent benefit, Congress passed a law in 1970 that prohibited payment of any special dividend declared prior to 1952 unless the application was received before 1954. There has been no recent legislation authorizing any "special" dividends.

Dividends are *not* payable to current service members insured under Servicemembers' Group Life Insurance (SGLI) or Veterans' Group Life Insurance (VGLI). SGLI and VGLI are group term policies and do not pay dividends.

For your information, VA continues to pay routine dividends on several policy series, but *only* to veterans who have kept their policies in force. These veterans receive their dividends *automatically* on the anniversary date of their individual policy. They do *not* have to apply.

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The following is an example of a typical application for this special dividend:

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X

**GOVERNMENT OWES VETERANS MONEY**

A bill passed in Congress gives Veterans a dividend of 55 cents to \$1,000 of their G. I. Insurance for each month of service. This is regardless of whether or not you still carry this insurance. You will not receive this dividend unless you ask for it. The Veterans Administration urges you to apply regardless of whether you had insurance or not. They will check for you.

Years of Service	2 years	\$264
	3 years	\$316
	4 years	\$528

Veterans Center  
P.O. Box 8075  
Philadelphia, PA 19101

Include Your:

Name \_\_\_\_\_  
Address \_\_\_\_\_  
GI Insurance No. \_\_\_\_\_ (if known) Birthdate \_\_\_\_\_  
Branch of Service \_\_\_\_\_ Service Number \_\_\_\_\_  
Enlistment Date \_\_\_\_\_ Discharge Date \_\_\_\_\_

\*\*\*\*\***IF YOU KNOW OF ANY VETS - PASS THE WORD**\*\*\*\*\*

I would like to take advantage of the G.I. Insurance Dividend now being offered to Veterans. Please send any monies that I qualify for to the address below:

Respectfully:

Name \_\_\_\_\_  
Address \_\_\_\_\_  
Date \_\_\_\_\_

\*\*\*\*\***IF YOU KNOW OF ANY VETS - PASS THE WORD**\*\*\*\*\*

This is the response that VA sends to a veteran who submits such an application for this “special dividend”:

A false and misleading rumor sweeping the nation is plaguing us at the Department of Veterans Affairs and leading thousands of veterans such as you to write us requesting dividends on insurance that you may have had in force while on active duty in the U.S. Armed Forces.

**Congress did not pass any new law giving veterans a dividend based on the amount of months their insurance was in force while on active duty. The information you received regarding such a dividend is a hoax.**

Also false is the rumor that individuals who are currently serving or who served in the military after 1965 and are or were insured under the SGLI (Servicemembers’ Group Life Insurance) program are entitled to a refund. There have never been any dividends, rebates or refunds due to surplus funds in the SGLI program.

You can help us to eliminate these rumors by passing this information along to any of your friends or to any veterans’ group to which you belong.

Thank you.

Department of Veterans Affairs

SGL 300  
Ed 2/93

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# Guaranteed Values

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An important feature of permanent plan policies is that the premiums the policyholder pays build up a reserve (cash) value. This provides the policyholder with extra protection and more financial flexibility. Permanent plan policies have the following guaranteed values:



- **Cash Value**

The cash value is the reserve plus any dividends held on deposit less any indebtedness. If a policyholder is considering surrendering their policy for its cash value, they should *first* consider the alternative of taking a policy loan, since policies that are surrendered for cash *cannot* be reinstated.

After premiums have been paid or waived for at least one year, the policyholder may apply for the cash value by submitting a completed VA Form 29-1546, *Application for Cash Surrender Value or Policy Loan*, or a written request stating the insured's wish to surrender the policy for the cash value.

- **Loan Value**

Policy loans may be granted up to 94 percent of the reserve value, less any indebtedness. We suggest applying for a policy loan rather than the cash surrender value if a policyholder needs cash and the policy is not lapsed. After premiums have been paid or waived for at least one year, the policyholder may apply for a loan by submitting VA Form 29-1546, *Application for Cash Surrender Value or Policy Loan*, or a written request for a policy loan, specifying the amount desired. (See pages 65-66 for loan rates and additional information.)

- **Extended Insurance**

A permanent plan policy that lapses after being in force for at least three months will automatically be extended as term insurance. Under this insurance the policyholder will be protected for a limited period of time as determined by the amount of the net cash value of the policy. The amount of the extended insurance will be the face amount of the policy less any indebtedness.

- **Reduced Paid-Up Insurance**

A policyholder may use the net cash value (cash value minus any indebtedness) to buy a reduced amount of paid-up insurance if the policy is not lapsed. This insurance will remain in force for the life of the policyholder, or to the end of the endowment period. No further premium payments are required. The cash value continues to increase and dividends continue to be earned. The policyholder may cash surrender the paid-up insurance for less than the face value of the policy, depending on the length of time the policy has been in effect. The policyholder can also obtain a loan on the policy at any time.

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# Policy Loans

Policy loans are available on permanent plans of insurance.

- The policyholder can take **up to 94%** of the reserve (cash) value of their policy less any indebtedness.
- The policy cannot be lapsed, and premiums must be paid or waived at least one year before a policy has loan value.



## Loan Interest Rates

- As of November 2, 1987, all new policy loans have a variable interest rate with a **minimum** rate of 5% and a **maximum** rate of 12%.
- Rate changes are tied to the “ten-year constant maturities”, a U.S. Treasury securities index.
- Each year the U.S. Treasury securities index is reviewed. If required, because of a change in the index, loan rates are adjusted effective October 1.

The current loan interest rate for adjustable rate loans is **5%** (until at least **September 30, 2009**).

Interest Rates on NSLI Policy Loans*	
Prior to Jan. 11, 1971	4%
Jan. 11, 1971 - Jul. 28, 1981	5%
Jul. 29, 1981 - Nov. 1, 1987	11%
Nov. 2, 1987 - Sept. 30, 1992	8%
Oct. 1, 1992 - Sept. 30, 1993	7%
Oct. 1, 1993 - Sept. 30, 1995	5%
Oct. 1, 1995 - Sept. 30, 1998	6%
Oct. 1, 1998 - Sept. 30, 2000	5%
Oct. 1, 2000 - Sept. 30, 2001	6%
<b>Oct. 1, 2001 - Sept. 30, 2009</b>	<b>5%</b>

\*Interest on USGLI ("K" prefix) loans is fixed, by law, at 5%.

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## Applying For a Policy Loan

A policyholder can now apply for a loan through two methods:

- Filing VA Form 29-1546, *Application for Policy Loan*. This application can either be **faxed toll-free** to 1-888-748-5828 or **mailed** to:

Department of Veterans Affairs  
Regional Office and Insurance Center  
P.O. Box 7327  
Philadelphia, Pennsylvania 19101

- Policyholders can now also apply for a policy loan by going to the VA insurance website at [www.insurance.va.gov](http://www.insurance.va.gov) and following the link to “Online Policy Access.” The insured must have applied for, and received, a VA-issued PIN. Once they have received their PIN, they must also select a personal password to access the policy loan request page. See page 83 for more information on “On-line Policy Access.”

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# Conversions

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## Advantages Of Converting To A Permanent Plan

Term insurance is attractive at young ages because it gives low-cost financial protection. However, at the older ages it becomes very expensive, making the premiums difficult to pay. Policyholders who think they will want insurance protection at the older ages, should consider converting to a permanent plan of insurance at as young an age as possible. Although the premium rates are initially higher than for term policies issued at the same ages, permanent plan premiums stay the same throughout the life of the policy.

Policyholders who are considering converting to a permanent plan should consider the following:

- Their present and future needs for life insurance
- Their ability to pay present or future premiums
- The earlier they convert to a permanent plan, the lower the premium will be  
(Permanent plans that are available for conversion from a term plan are discussed on pages 52 and 53.)

The guaranteed conversion of a term policy to a permanent plan policy is an important feature for policyholders, especially for those policyholders who have health problems. A policyholder can convert from a term policy to a permanent plan policy without providing evidence of good health.

## Application For Conversion

A policyholder can apply for conversion by submitting VA Form 29-0152, *Application for Conversion*, or a written request for conversion specifying the plan desired and the amount of insurance to be converted.

If the term policy is lapsed but eligible for reinstatement, the policyholder must apply for reinstatement and meet health requirements. The applications for reinstatement and conversion should be submitted at the same time.

Term insurance may be converted to permanent plan insurance in multiples of \$500 but not less than \$1,000. A policyholder can convert either a portion of their term coverage or the total amount.

## Payment Of Premiums

If the policyholder pays by **check**, at least one monthly premium for the new plan should accompany the conversion application.

If premiums are paid by **deduction** from VA benefits, **allotment** from retired pay, or by **deduction** from the insured's checking account (VA MATIC), VA will take care of any change in deduction or allotment that is needed. If the new premium exceeds the amount available by deduction or allotment, future premiums must be paid by check or other remittance.

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# Paid-Up Additional Insurance

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## Availability Of Paid-Up Additional Insurance (Paid-Up Additions)

Since July 1, 1972, policyholders with participating policies can apply their annual dividends to purchase paid-up additional insurance (PUA). Paid-up additions are available on the following programs:

- National Service Life Insurance (“V”)
- Veterans’ Special Life Insurance (“RS” and “W”)
- Veterans’ Reopened Insurance (“J,” “JR” and “JS”)

Annual Insurance Policy Statements are mailed to policyholders each year on the anniversary date of their policy. In addition to policy information, the annual statement reflects any new paid-up additions credited to the policyholder's account. (See page 68 for more information on the Annual Insurance Policy Statement.)

## Paid-Up Additional Insurance: A Way Of Increasing Coverage

Purchasing paid-up additions is the only way policyholders can increase their coverage (except for supplemental S-DVI). It is therefore, a very popular dividend option. Approximately 349,000 veterans have policies with paid-up additions, representing \$6.6 billion of extra coverage.

Paid-up additions have cash and loan values, and earn dividends that automatically purchase more paid-up coverage.

## How PUA Works

If an insured chooses this option, his or her annual dividend is automatically applied as a single premium to purchase an amount of paid-up insurance. The amount of paid-up insurance is determined by:

- the age of the policyholder, *and*
- the plan of basic insurance in force, *and*
- the amount of the dividend.

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The following table illustrates the amount of paid-up additional insurance that can be purchased using the same dividend amount but at different attained ages:

Attained Age	Dividend Amount	Amount of Whole Life PUA Purchased	
		“V”, “RS”, “W”, “J”	“JR”, JS”
70	\$300	\$517	\$477
75	\$300	\$459	\$434
80	\$300	\$416	\$399

The paid-up additional coverage purchased is of the same type as the basic coverage:

If the basic coverage is:	the PUA coverage purchased is:
endowment	paid-up endowment insurance which matures at the same time as the basic contract
all other plans (including term)	paid-up whole life insurance

The PUA dividend option is especially desirable for:

- **Disabled policyholders** who often cannot obtain commercial life insurance, or must pay high premiums for coverage. In many cases, this is the only means by which they can obtain additional life insurance.
- **Policyholders who do not need extra coverage but want to lower their premiums** by periodically reducing their basic insurance as new paid-up additions are purchased. (They keep the same amount of coverage but pay premiums on a smaller portion of that coverage.)
- **Term policyholders** whose premiums continue to rise as they become older. (They too can reduce their basic insurance and replace it with paid-up additions, thereby paying premiums on a smaller portion of coverage).

Since the PUA dividend option first became available in July 1972, an NSLI policyholder (now age 87) with a \$10,000 Ordinary Life policy issued in 1945 could have purchased \$58,249 of extra coverage.

## Changes In PUA Amounts And Cost

Because reserves on paid-up additions had earned higher interest rates, the following changes were made at no cost to the policyholders:

- In 1987, and again in 1990, the cost to purchase paid-up additions with annual dividends was lowered, i.e., more PUA could be purchased with the same amount of dividends. These decreases resulted in approximately a 25 percent reduction in the cost to purchase paid-up additions with annual dividends.
- Also, existing paid-up additions were automatically increased by approximately 25 percent (over \$770 million) overall. The increase for individual policies depended on the policyholder’s age and plan of insurance.

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# Annual Insurance Policy Statement

The Annual Insurance Policy Statement provides an insured with information about their VA insurance including:

- The type of policy and effective date of the policy
- Amount of insurance (Basic and Paid-Up Additions)
- Cash and loan values
- Outstanding indebtedness
- Premium information
- Dividend information
- Date of the latest beneficiary designation

An Annual Statement is mailed to the insured on the policy anniversary date of each policy.

THIS IS NOT A BILL			
 Department of Veterans Affairs		ANNUAL INSURANCE POLICY STATEMENT	
POLICYHOLDER	FILE NUMBER	POLICY NUMBER	MAILING DATE
JOHN Q VETERAN	F V 0000 00 00	V 0000 00 00	01/17/09
2009 POLICY INFORMATION			
PLAN	ORDINARY LIFE Basic \$10,000 Paid-Up Additions - Whole Life - \$39,836	Effective Date 1/21/59 TOTAL COVERAGE \$ 49,836	
CASH/LOAN VALUES	Values As Of 02-20-08 Basic Policy \$ 6,806.37 Paid Up Additions \$ 24,903.48 TOTAL NET CASH VALUE \$ 31,709.85 TOTAL NET LOAN VALUE \$ 29,807.26	The current estimated amount to be paid to survivors is shown below: Survivor Benefit \$ 49,836.00	
PREMIUMS	Basic PREMIUM \$124.20	MODE Annual	HOW PAID Direct
OTHER DATA			
A. LOANS/ LIENS	TYPE Loan	INTEREST RATE 5%	PRINCIPAL \$ 3,596.99 TOTAL PRINCIPAL \$ 3,596.99
B. DIVIDEND OPTION	Current option: NET PUA Your 2009 dividend of \$1,374.84 paid 1/17/09 was applied under the Net PUA option. A letter regarding payment of this dividend was sent under separate cover. <b>INSURANCE DIVIDENDS ARE NOT SUBJECT TO FEDERAL INCOME TAX</b>		
C.	We added new features to our web site, <a href="http://www.insurance.va.gov">www.insurance.va.gov</a> . You may now access your beneficiary designation and apply for a policy loan online. You may also access current information about your policy. Click on the link, "Online Policy Access". You may obtain the Personal Identification Number (PIN), which is needed to log on, at this web site. The PIN will be mailed to you.		
D.	The current interest rate for new loans, and existing variable rate loans is 5%. This rate will remain in effect until October 1st, when it is subject to change. To apply for a loan, send a request over your signature to: P.O. Box 7327, Philadelphia, PA 19101-7327.		
BENEFICIARY INFORMATION			
Your last beneficiary designation of record was made in 2008.			
If you have any questions, call 1-800-669-8477 or visit us at <a href="http://www.insurance.va.gov">www.insurance.va.gov</a>			
VA FORM 29-0258 JAN 1994			

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# Beneficiary and Option Designations

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## Beneficiary Selection

An insured may select any person, firm, corporation or other legal entity (including his or her estate) as beneficiary, either individually or as trustee. If no beneficiary survives the insured, payment is made to the insured's estate in one sum. The insured also has the right to select how the insurance proceeds will be paid to his or her beneficiary(ies).

## The Insured Has The Right To Name And Change A Beneficiary

The insured is the sole owner of his or her policy. This ownership means:

- The insured can at any time change his or her beneficiary(ies), without the knowledge or consent of the current beneficiary(ies).
- A state court order, property settlement, or divorce decree cannot compel an insured to name or change his or her beneficiary(ies).
- Ownership of the policy may not be transferred to any other person or entity, including a trust. *However, a trust may be designated as beneficiary.*
- A beneficiary change **cannot** be made by Last Will and Testament.
- A beneficiary designation should not contain language that restricts the insured's right to change the beneficiary, or remove the insured as owner of the insurance policy.

## Settlement Options Available For Payment Of Policy Proceeds

The insured has the right to select how the insurance proceeds will be paid to his or her beneficiaries. An option change **can** be made by Last Will and Testament. Most VA Forms contain a preprinted "Lump Sum" in the option block because most insureds choose this option. If the insured wants the beneficiary to receive monthly installments rather than a lump sum, the "Lump Sum" must be crossed off and replaced by the desired option (2, 3 or 4). The settlement options available for payment of policy benefits are:

<b>Option 1:</b>	Lump sum payment for the face amount of the policy less any indebtedness.
<b>Option 2:</b>	Equal monthly installments with interest over 36 to 240 months. (The insured selects the number of monthly installments in multiples of 12, such as 36, 48, 60, 72, etc.)
<b>Option 3:</b>	A monthly life income with 120 payments guaranteed (240 for USGLI policies).
<b>Option 4:</b>	Equal monthly installments are made until the face amount of the policy less any indebtedness is paid. If the principal beneficiary lives beyond this period, payments continue throughout their lifetime.

It should be noted that although payments under Option 3 may be higher than those under Option 4, if payments are being made under Option 3 and the principal beneficiary dies soon after the

guaranteed payments are made, no further payments will be made to a contingent beneficiary, *even if* the full face amount of the policy less any indebtedness has not been paid. However, under option 4, payments would continue to the contingent beneficiary until the face amount of the policy has been paid.

## If A Beneficiary Dies Before Receiving The Insurance Proceeds

### General information:

If a beneficiary survives the insured but dies before he or she receives some or all of the proceeds, the following rules apply:

- If the proceeds were payable under an installment option, and the beneficiary dies before all of the guaranteed installments are paid, the present value of the unpaid installments is payable in one sum to the insured's estate (NSLI policies) or to the estate of the last surviving beneficiary (USGLI policies).
- If the proceeds are payable in a lump sum payment, the proceeds are paid to the beneficiary's estate. To allow the proceeds go to the contingent beneficiaries in a "common disaster" situation, rather than to the principal beneficiary's estate, the phrase "provided the principal beneficiary survives me for \_\_\_ days" may be added. Any number of days up to a maximum of 30 may be shown.

### Special circumstances involving children of a beneficiary:

If the insured designated more than one principal beneficiary or designated both principal and contingent beneficiaries, the share of a beneficiary who predeceases the insured will be paid to the surviving beneficiaries according to the pre-printed phrase on the application "or to the survivor(s)". ***If this automatic distribution is not desired, the insured can cross it out or designate that the share of a deceased beneficiary go to that beneficiary's "issue" (children). This is referred to as a "per stirpes" distribution.*** These situations are illustrated below:

4. BENEFICIARY DESIGNATION				
A. SHOW FULL NAME AND ADDRESS OF EACH BENEFICIARY ENTERED IN THE PRINCIPAL AND CONTINGENT BENEFICIARY AREAS BELOW	B. BENEFICIARY'S SOCIAL SECURITY NO. (If known. See instruction No. 5 on reverse)	C. RELATIONSHIP TO INSURED	D. SHARE TO EACH (Use fractions, such as 1/2, 2/3, or "all")	E. OPTION FOR EACH
<b>PRINCIPAL</b>				
<b>Ann Jones</b> 123 Any Street Anywhere, USA 00000	000-00-0000	Daughter	1/2	LUMP SUM
<b>Bill Smith</b> 123 Any Street Anywhere, USA 00000	000-00-0000	Son	1/2	LUMP SUM
<b>OR TO SURVIVOR(S)</b>				LUMP SUM
<b>CONTINGENT</b> <small>(Person(s) who get proceeds if all of the Principal Beneficiaries die before the insured. If none, write "none")</small>				
<b>None</b>				
<b>OR TO SURVIVOR(S)</b>				LUMP SUM
5. REMARKS (Include any additional information which will clarify your intent regarding the payment of your insurance. Also, list the policy number of any other policy on which the beneficiary is not to be changed)				
<b>In the event my children predecease me I would like their share to go to their children</b>				

An insured designates his children, Ann and Bill as his beneficiaries, each getting 1/2 of the insurance benefits. Ann has one child and Bill has two children. If Ann dies *before* the insured and *before* Bill then

IF the insured crossed out the phrase "or to the survivor(s)" and wrote "the share of a deceased beneficiary go to his or her children", then

- Ann's child will get half of the insurance benefits
  - Bill will get half of the insurance benefits
- (this is the "***per stirpes***" distribution)

IF the insured ***DID NOT*** cross out the phrase "or to the survivor(s)" nor did he write "the share of a deceased beneficiary go to his or her children", then

- Bill will get all of the insurance benefits

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# Designation Of Beneficiary And Optional Settlement (Completing the Form)

It is important that the insured submit a properly completed and updated beneficiary and settlement option selection. If the insured is uncertain about his or her beneficiary and option designation, he or she can obtain the information from the Insurance Center in Philadelphia. The submission of a new designation, reflecting the insured's current intentions, will replace any prior designation for the same policy.

IMPORTANT - SEE INSTRUCTIONS ON REVERSE			OMB Approved No. 2900-0020 Respondent Burden: 10 minutes	
 <b>DESIGNATION OF BENEFICIARY GOVERNMENT LIFE INSURANCE</b>				
DO NOT WRITE IN SPACE BELOW - FOR VA USE				
ENTERED BY VA	DATE RECORDED	SIGNATURE OF VA INSURANCE OFFICIAL		
1A. NAME OF INSURED AND MAILING ADDRESS FOR INSURANCE PURPOSES (Type or print)			2A. INSURANCE FILE NUMBER	
<b>Mr. John Smith</b> <i>(First, middle, last name)</i> <b>123 Any Street</b> <i>(Number and street or rural route)</i> <b>AnyWhere, U.S.A 00000</b> <i>(City or P.O., State and ZIP Code)</i>			F <b>V 0000 00 00</b>	
			2B. SOCIAL SECURITY NUMBER	
			<b>000 00 0000</b>	
			3. DAYTIME TELEPHONE NUMBER <i>(Include Area Code)</i>	
			<b>(000) 000-0000</b>	
1B. IS THIS A CHANGE OF ADDRESS FOR YOUR INSURANCE <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO				
<b>4. BENEFICIARY DESIGNATION</b>				
A. SHOW FULL NAME AND ADDRESS OF EACH BENEFICIARY ENTERED IN THE PRINCIPAL AND CONTINGENT BENEFICIARY AREAS BELOW	B. BENEFICIARY'S SOCIAL SECURITY NO. (If known. See instruction No. 5 on reverse)	C. RELATIONSHIP TO INSURED	D. SHARE TO EACH <i>(Use fractions, such as 1/2, 2/3, or "all")</i>	E. OPTION FOR EACH
<b>PRINCIPAL</b>				
<b>Sally P. Smith</b> <b>123 Any Street</b> <b>Anywhere, USA 00000</b>	<b>000-00-0000</b>	<b>Wife</b>	<b>ALL</b>	<b>LUMP SUM</b>
<b>OR TO SURVIVOR(S)</b>				
<b>CONTINGENT</b> <i>(Person(s) who get proceeds if all of the Principal Beneficiaries die before the insured. If none, write "none")</i>				
<b>Ann Jones</b> <b>123 Any Street</b> <b>Anywhere, USA 00000</b>	<b>000-00-0000</b>	<b>Daughter</b>	<b>1/2</b>	<b>LUMP SUM</b>
<b>Bill Smith</b> <b>123 Any Street</b> <b>Anywhere, USA 00000</b>	<b>000-00-0000</b>	<b>Son</b>	<b>1/2</b>	<b>LUMP SUM</b>
<b>OR TO SURVIVOR(S)</b>				
5. REMARKS <i>(Include any additional information which will clarify your intent regarding the payment of your insurance. Also, list the policy number of any other policy on which the beneficiary is not to be changed)</i>				
I understand that this change cancels all prior beneficiary and option selections; and unless indicated in Item 5, Remarks, this change applies to all Government Life Insurance policies under the above file number.				
6. SIGNATURE OF INSURED <i>(Do not print)</i>			7. DATE	
<i>(Sign Here)</i>			1/1/09	
8. NAME AND ADDRESS OF WITNESS <i>(Type or print)</i>				
<i>Sally P. Smith, 123 Any Street, Anywhere, USA 00000</i>				
If you have any questions concerning designating a beneficiary, call us toll free at 1-800-669-8477.				
VA FORM 29-336 JAN 1999		SUPERSEDES VA FORM 29-336, OCT 1998, WHICH WILL NOT BE USED.		

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**Visit our Website: www.insurance.va.gov**

The following factors should be kept in mind when completing a beneficiary and option selection form:

- One beneficiary designation applies to all policies unless otherwise specified. VA Form 29-336, *Designation of Beneficiary and Optional Settlement* (dated June 1982 or later) does not contain a separate block to list the insured’s policy numbers. Unless otherwise specified in the remarks block on these forms, a designation applies to all policies.
- Most VA Forms 29-336 contain a preprinted “Lump Sum” as the option. If the insured wants the beneficiary to receive monthly installments rather than a lump sum, the “Lump Sum” must be crossed off and replaced by the desired option (2, 3 or 4). If option 2 is selected, the number of monthly installments should be shown. Payments under this option are 36 to 240, in multiples of 12.
- A beneficiary change *cannot* be made by Last Will and Testament. (*VA regulations do permit an **option selection** for government life insurance policies to be made by Will.*)
- Principal and contingent beneficiaries should be clearly differentiated on the form. Where the insured lists multiple principal or contingent beneficiaries, their shares should be clearly shown and should always add up to “1” (for example, 1/2+1/2).

Policyholders can now view an image of their most recent beneficiary designation online using the VA Insurance website. The insured must have applied for, and received, a VA issued PIN. Once they have received their PIN, they must also select a personal password to view their beneficiary designation. See 83 for more information on “Online Policy Access.”

### Typical INCORRECT Beneficiary Designations

The following are examples of beneficiary designations that may *delay* payment of the insurance proceeds because the designations are *unclear*:

- How did the insured intend for his children to share the proceeds in the following designation?

4. BENEFICIARY DESIGNATION				
A. SHOW FULL NAME AND ADDRESS OF EACH BENEFICIARY ENTERED IN THE PRINCIPAL AND CONTINGENT BENEFICIARY AREAS BELOW	B. BENEFICIARY'S SOCIAL SECURITY NO. (If known. See instruction No. 5 on reverse)	C. RELATIONSHIP TO INSURED	D. SHARE TO EACH (Use fractions, such as 1/2, 2/3, or "all")	E. OPTION FOR EACH
<b>PRINCIPAL</b>				
<b>Ann Jones</b> 123 Any Street Anywhere, USA 00000	000-00-0000	Daughter	ALL	LUMP SUM
<b>Bill Smith</b> 123 Any Street Anywhere, USA 00000	000-00-0000	Son	ALL	LUMP SUM
<b>OR TO SURVIVOR(S)</b>				
<b>CONTINGENT</b> <small>(Person(s) who get proceeds if all of the Principal Beneficiaries die before the insured. If none, write "none")</small>				
<b>Sally P. Smith</b> 123 Any Street Anywhere, USA 00000	000-00-0000	Wife	ALL	LUMP SUM
<b>OR TO SURVIVOR(S)</b>				

- If the insured wanted his children to share equally he should have written “1/2” for each child in the SHARE TO EACH block.
- If the insured wanted Ann to be the principal beneficiary and Bill to be the contingent, then Bill’s information should have been written in the contingent portion of the application.

- Who did insured intend as the principal beneficiary to receive the insurance proceeds?

4. BENEFICIARY DESIGNATION				
A. SHOW FULL NAME AND ADDRESS OF EACH BENEFICIARY ENTERED IN THE PRINCIPAL AND CONTINGENT BENEFICIARY AREAS BELOW	B. BENEFICIARY'S SOCIAL SECURITY NO. (If known. See instruction No. 5 on reverse)	C. RELATIONSHIP TO INSURED	D. SHARE TO EACH (Use fractions, such as 1/2, 2/3, or "all")	E. OPTION FOR EACH
<b>PRINCIPAL</b>				
<b>Sam Jones, Administrator for my estate 123 Any Street Anywhere, USA 00000</b>	<b>000-00-0000</b>	<b>Friend</b>	<b>ALL</b>	<b>LUMP SUM</b>
<b>OR TO SURVIVOR(S)</b>				
<b>CONTINGENT</b> <small>(Person(s) who get proceeds if all of the Principal Beneficiaries die before the insured. If none, write "none")</small>				
<b>NONE</b>				
<b>OR TO SURVIVOR(S)</b>				

Did the insured intend the benefits go to his estate (with Sam Jones as the administrator for the estate) or to Sam Jones his friend (who just happens to be the administrator for the insured's estate)?

- If the proceeds were to go to his friend "Sam Jones" the insured should have written "Sam Jones" as the principal beneficiary.
- If the proceeds were to go to the insured's estate the insured should have written "My estate" as the principal beneficiary.

- VA cannot make a beneficiary use the benefits for any specific purpose designated by the insured.

4. BENEFICIARY DESIGNATION				
A. SHOW FULL NAME AND ADDRESS OF EACH BENEFICIARY ENTERED IN THE PRINCIPAL AND CONTINGENT BENEFICIARY AREAS BELOW	B. BENEFICIARY'S SOCIAL SECURITY NO. (If known. See instruction No. 5 on reverse)	C. RELATIONSHIP TO INSURED	D. SHARE TO EACH (Use fractions, such as 1/2, 2/3, or "all")	E. OPTION FOR EACH
<b>PRINCIPAL</b>				
<b>James Jackson who will pay my funeral expenses 123 Any Street Anywhere, USA 00000</b>	<b>000-00-0000</b>	<b>Friend</b>	<b>ALL</b>	<b>LUMP SUM</b>
<b>OR TO SURVIVOR(S)</b>				
<b>CONTINGENT</b> <small>(Person(s) who get proceeds if all of the Principal Beneficiaries die before the insured. If none, write "none")</small>				
<b>NONE</b>				
<b>OR TO SURVIVOR(S)</b>				

VA cannot make James Jackson pay the insured's funeral expenses. If the intent of the insured is to pay his own funeral expenses a better designation would be:

- "Funeral Director" as one principal beneficiary with the share "funeral bill only" and
- "James Jackson" as a second principal beneficiary with the share "remainder".

- According to the following beneficiary designation, did the insured intend for the proceeds to go to his friend, Ann Smith, or does the insured want Ann Smith to hold the proceeds for his minor aged children until they are of age?

4. BENEFICIARY DESIGNATION				
A. SHOW FULL NAME AND ADDRESS OF EACH BENEFICIARY ENTERED IN THE PRINCIPAL AND CONTINGENT BENEFICIARY AREAS BELOW	B. BENEFICIARY'S SOCIAL SECURITY NO. (If known. See instruction No. 5 on reverse)	C. RELATIONSHIP TO INSURED	D. SHARE TO EACH (Use fractions, such as 1/2, 2/3, or "all")	E. OPTION FOR EACH
<b>PRINCIPAL</b>				
<b>Ann Smith, Guardian for my children 123 Any Street Anywhere, USA 00000</b>	<b>000-00-0000</b>	<b>Friend</b>	<b>ALL</b>	<b>LUMP SUM</b>
<b>OR TO SURVIVOR(S)</b>				
<b>CONTINGENT</b> <small>(Person(s) who get proceeds if all of the Principal Beneficiaries die before the insured. If none, write "none")</small>				
<b>NONE</b>				
<b>OR TO SURVIVOR(S)</b>				

If the insured intended for the proceeds to go to his children (including minors) a more clear designation would show:

- "My children" as the principal with "equal shares" written in the shares section.
- or
- Ann Smith, in trust for my children as the principal with "equal shares" written in the shares section.

Both these designations will ensure the proceeds are shared equally among ALL of the insured's existing children

## Alternate Beneficiary Legislation

On December 16, 2003, the President signed a law that authorizes the Department of Veterans Affairs to pay National Service Life Insurance (NSLI) and United States Government Life Insurance (USGLI) to a contingent beneficiary or beneficiaries, when the principal beneficiary does not claim the insurance within two years of the date of the insured's death.

This means that:

- If the principal beneficiary, who has been named by the insured, does not claim the insurance within two years of the insured's death, then payment may be made as if that principal beneficiary had predeceased the insured.
- If there is a contingent beneficiary, or beneficiaries, who have been designated by the insured, the insurance may then be paid to the contingent beneficiary or beneficiaries.
- If neither the principal nor contingent beneficiary files a claim for the insurance within four years of the insured's death, VA is authorized to pay the insurance to another person who, in the judgment of the Secretary, is equitably entitled.
- Once payment is made in this manner, proceeds are not payable to any other individual.

## Insured's State Of Mind

The following rules apply when completing a beneficiary and option designation:

- **If it appears that the insured does not fully understand their actions or is not acting completely freely**, a statement from the witness or another party who is present will help VA to determine whether the designation is valid. The statement should be submitted to VA with the designation, and should list all pertinent details, including the insured's reason for making the beneficiary designation, if known. Mental illness, drugs or alcohol intoxication can cause lack of full understanding. Other factors such as duress or undue influence can result in the insured not acting freely in making the designation.
- **If an insured is incompetent**, his or her legal representative (guardian, conservator, etc.) may make a beneficiary designation on the insured's behalf with the authorization of a court order. If the designation can be made while the insured is lucid it should be done in the presence of a physician who should verify in writing that the insured had the capacity to understand the consequences of the action. Although the physician's statement is not required, it will help VA determine whether the designation is valid.

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- **An insured or claimant can sign by a mark (“X”) if:**
  - the insured is unable to sign due to physical disability,
  - the insured is of sound mind, AND
  - the “X” is witnessed by two people not named on the designation.

### **!!! Important Facts !!!**

- ☑ **One Beneficiary Designation applies to all of your policies unless you specify otherwise.**
- ☑ **Make sure the distribution of shares equals 1 (e.g.  $\frac{1}{2}+\frac{1}{2}$ ).**
- ☑ **A beneficiary change cannot be made by Last Will and Testament, but a settlement option change can.**
- ☑ **NOBODY can order the insured to change their beneficiary, including State Courts or Divorce Orders.**

FOR MORE DETAILED INFORMATION, SEE VA PAMPHLET 29-77-3 (REVISED MAY 1990),  
*FACTS ABOUT BENEFICIARY AND OPTION DESIGNATIONS.*

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# Filing Death Claims

All death claims, (except SGLI and VGLI), should be mailed *or* faxed to the Insurance Center in Philadelphia:

## Mailing Address:

**Department of Veterans Affairs  
Regional Office and Insurance Center  
P.O. Box 7208  
Philadelphia, Pennsylvania 19101**

**OR**

## Toll-free fax number:

**1-888-748-5822**

## How To File A Claim

If the beneficiary is:	He or she must file:
a principal beneficiary	<ul style="list-style-type: none"> <li>• photocopy of death certificate showing date and cause of death of insured</li> <li>• Claim Form, VA Form 29-4125, <i>Claim for One Sum Payment</i><sup>1</sup></li> </ul>
a contingent beneficiary	<ul style="list-style-type: none"> <li>• death certificates for the insured and principal beneficiary(ies)</li> <li>• Claim Form, VA Form 29-4125, <i>Claim for One Sum Payment</i><sup>1</sup></li> </ul>
a representative of the estate	<ul style="list-style-type: none"> <li>• death certificate(s)</li> <li>• copies of letters testamentary, letters of administration, or a court order of distribution along with claims from the entitled parties<sup>2</sup></li> <li>• claim form signed by the executor or administrator of the estate</li> </ul>
a minor or incompetent	<ul style="list-style-type: none"> <li>• death certificate(s)</li> <li>• a claim from the next of kin, personal representative (guardian, custodian, etc.) or logical person to receive payment for the minor or incompetent</li> <li>• letters of guardianship, conservatorship, etc. (if any)</li> <li>• address of minor or incompetent</li> </ul>
filing for VMLI benefits	<ul style="list-style-type: none"> <li>• insured's death certificate</li> <li>• a payoff statement from the veteran's mortgage lender showing the outstanding mortgage balance owed as of the veteran's death</li> </ul>

<sup>1</sup>If the beneficiary wants monthly payments, he or she should use Claim Form, VA Form 29-4125k for USGLI policies OR VA Form 29-4125a for NSLI policies, *Claim for Monthly Payments* instead of the claim forms mentioned above. If a lifetime income option (3 or 4) is selected the beneficiary's birth certificate (or other official proof of age) must be submitted.

<sup>2</sup>If these are not available, a statement that there will be no administration of the estate, and VA Form 29-541, *Certificate Showing Residence and Heirs of Deceased Veteran*, must be filed.

**QUESTIONS?**

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**1-800-669-8477**

**Visit our Website:**

**www.insurance.va.gov**

**NOTE:**

- \* **Photocopies** of death certificates are acceptable.
- \* A letter claiming the proceeds and showing a mailing address for the check may be used instead of a VA Claim Form (29-4125, etc.). The claimant should be sure to show the insurance file number and to sign the letter.
- \* Payment cannot be made if it would cause the insurance to escheat to a State (this happens where there are no heirs to pay so the assets of the estate default to the State).

**The following factors should be kept in mind when filing a death claim:**

- Most death awards are authorized by the Insurance Center within 10 days of receipt of the documents needed for payment.
- An insured's Will can be used as evidence that he or she intended a lump sum payment, regardless of when it was executed. The Will does not have to specifically mention the insurance, nor must it be probated.
- If the award check is to be mailed to the claimant's bank account, the account number and type of account (checking or savings) must be shown on the claim in addition to the name and address of the bank.
- Award checks can be directly deposited into a claimant's account. The claimant must provide their checking or savings deposit account number as well as their social security number. Claimants must also provide the name, address, phone number, and the routing transit number for their financial institution.
- A beneficiary may assign all or a portion of his or her share of the insurance to a restricted class of the insured's relatives.
- Any additional questions on filing a death claim please call **1-800-669-8477**.

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# **Gratuitous S-DVI**

## **(Policies Prefixed by "ARH")**

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### **Eligibility Requirements For Gratuitous S-DVI**

Gratuitous Service-Disabled Veterans' Insurance (S-DVI) is granted posthumously to veterans who:

- Met the basic eligibility requirements for S-DVI (prefixed "RH"); and
- Did not apply for S-DVI because of a continued mental incompetence due to a service-connected disability; and
- Died before the appointment of a guardian or within two years of such appointment.

### **Application For Gratuitous S-DVI Benefits**

VA must receive an application for payment of Gratuitous S-DVI within two years from the date of the veteran's death. However, if the person making the claim is mentally or legally incompetent at the time the right to apply for Gratuitous S-DVI expires, they may apply within one year after their incompetency ends.

### **Payment Of Gratuitous S-DVI**

Gratuitous S-DVI is granted in an amount that, together with any other United States Government Life Insurance or National Service Life Insurance in force, totals \$10,000. Gratuitous S-DVI is payable to the beneficiary only as a lump sum payment.

**Payment of Gratuitous S-DVI is made to the following beneficiaries in the order named:**

- 1) To the widow or widower of the insured, if living. If not,
- 2) To the child or children of the insured, if living, in equal shares. If not,
- 3) To the parent or parents of the insured, if living, in equal shares.

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# *How To Contact Us*

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**V**

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# Phone Numbers, Fax Numbers and Mailing Addresses

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## Points of Contact for VA Administered Policies (USGLI, NSLI, VSLI, VRI, S-DVI, VMLI)

There are several ways for a policyholder to contact VA about their VA Life Insurance. Besides the old fashioned letter in a mailbox, policyholders can contact the Insurance Center through a toll-free number, by facsimile, by e-mail and through the world wide web.

### Insurance Toll Free Service -- 1-800-669-8477

Customers calling the Insurance Toll Free Service can speak to an Insurance Specialist or use the Insurance Interactive Voice Response (IVR) System.



**Insurance Specialists** are available 8:30 AM to 6:00 PM (Eastern Time) Monday - Friday (*The best days to call are Wednesdays through Fridays*).

### Insurance Interactive Voice Response (IVR) System

The Insurance IVR system allows customers using the toll-free telephone number to access their own insurance records 24 hours per day, 7 days per week. The Insurance IVR system provides four basic functions for callers:

- 1. Informational letters and forms:** By making a touch-tone input, callers can have the following letters and forms mailed to them:

Forms/Applications	Informational Letters/Statements:
Beneficiary Designation	Premium status letter
Application for a loan or cash surrender	Dividend status letter
	Loan and cash values letter
	Annual policy statement

- 2. Policy information:** Callers can hear detailed insurance policy information within three major categories:
  - Dividends
  - Loan and cash values
  - General policy and premium information
- 3. Voice mail:** During the hours when Insurance Specialists are not available, 6:00 PM to 8:30 AM (Eastern Time) on weekdays, and 24 hours per day on the weekends, callers can leave voice messages requesting information and service. An Insurance Specialist will respond to the messages by the next business day.

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## Points of Contact for VA Supervised Policies (SGLI, VGLI)

If you are looking for information about the SGLI and VGLI programs and cannot find answers to your questions on the SGLI/VGLI portion of the Insurance website (see below) you can call, e-mail or write to the Office of Servicemembers' Group Life Insurance (OSGLI). OSGLI administers the SGLI and VGLI programs including the processing and payment of claims. OSGLI can be reached at:

<b>Toll-free telephone</b>	1-800-419-1473
<b>E-mail</b>	Death and Accelerated benefit claims: <a href="mailto:osgli.claims@prudential.com">osgli.claims@prudential.com</a> All other inquiries: <a href="mailto:osgli.osgli@prudential.com">osgli.osgli@prudential.com</a>
<b>Toll-free fax</b>	Death and accelerated benefits claims: 1-877-832-4943 All other fax inquiries: 1-800-236-6142
<b>General Correspondence</b>	The Office of Servicemembers' Group Life Insurance 80 Livingston Avenue Roseland, New Jersey 07068-1733
<b>New VGLI Applications and VGLI Reinstatements</b>	OSGLI PO Box 41618 Philadelphia, PA 19176-9913
<b>Non-toll-free telephone (To contact OSGLI from overseas)</b>	973-548-5699
<b>Non-toll-free fax (To contact OSGLI from overseas)</b>	973-548-5300
<b>Website</b>	<a href="http://www.insurance.va.gov/sgliSite/default.htm">http://www.insurance.va.gov/sgliSite/default.htm</a>

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**Visit our Website: [www.insurance.va.gov](http://www.insurance.va.gov)**

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# VA Insurance Information Available on the Internet

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Insurance information is available through the Internet at [www.insurance.va.gov](http://www.insurance.va.gov)

Through the VA insurance website, an insured can access *two* insurance sites from our home page:

- **The VA Insurance Website**      *and*
- **The SGLI & VGLI Website**



The **VA Insurance Website** contains information about:

- National Service Life Insurance (NSLI, VSLL, VRI)
- Service-Disabled Veterans Insurance
- United States Government Life Insurance
- Veterans Mortgage Life Insurance

**On-line Policy Access** is available for all of these policies *except* VMLI (see “On-line Policy Access” below).

The **SGLI & VGLI Website** contains information about:

- Servicemembers’ Group Life Insurance
- Veterans’ Group Life Insurance
- Family SGLI (FSGLI)
- Traumatic Injury Protection (TSGLI)
- Other SGLI/VGLI policy features

**On-line Policy Access is available for VGLI policyholders.**  
(see “On-line Policy Access” below)  
*On-line Policy Access is not available for SGLI policyholders.*

## On-line Policy Access

Insureds can now access their insurance policy information online at our website by clicking on the link “On-line Policy Access”.

**To access VA administered policies (USGLI, NSLI, VSLL, VRI, S-DVI):**

- A Personal Identification Number (PIN) is necessary to access this information and can be requested at this website by clicking on the “PIN Request Link”. This link takes the insured to the “Government Life Insurance PIN Registration” webpage. The following information is required to receive a PIN number:
  - Insurance File number
  - Social Security number
  - Date Of Birth

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Once the PIN number is received in the mail the insured will have access to information about their policy plan, values, premium status, dividends, loans, and beneficiary designation. Policyholders can also apply for a policy loan online. An additional password is required to access this feature.

**To access VA supervised policies (Veterans' Group Life Insurance):**

First time users must enter their Social Security Number and last name. After submitting this information they are then given the opportunity to create their own User ID and Password.

**NOTE: This feature is not yet available for Servicemembers' Group Life Insurance (SGLI) policyholders.**

## Apply for S-DVI Insurance Online

Veterans can now apply for Service-Disabled Veterans' Insurance with the click of a button. The new AutoForm (Automated Form) application will walk the veteran through the application step-by-step. The new application offers the following advantages:

**Ease of Use** - The step-by-step format and online help screens take the guesswork out of applying. The applicant can review different insurance plans and calculate premiums with the click of a mouse. We'll even help the veteran determine if they are eligible for this insurance.

**Flexibility** – The application does not have to be completed all in one session. The application can be saved on our secure server until the applicant can get back to it.

**Convenience** - The application can be submitted electronically via our secure server. We begin working on it right away. The application can also be printed and mailed or faxed to us.

## Life Insurance Needs Calculator

This interactive website feature helps veterans determine if they have enough life insurance to meet their family's needs. VA's Life Insurance Needs Calculator provides veterans with an estimated amount of life insurance necessary to support their survivors. The calculator is located in the SGLI/VGLI section of the VA website.

By using the following information that the veteran inputs:

- **current assets** (these include such things as investments, bank accounts, savings bonds, social security benefits, retirement funds, etc.)
- **net income survivors will need** (the annual income that will provide the standard of living desired for survivors minus the annual income available to survivors)
- **financial obligations** (these include such things as car loans, credit card debt, funeral/burial expenses, children's educational expenses, mortgages, etc.)

the calculator suggests the amount of life insurance the veteran should have.

**Note:** VA's Life Insurance Needs Calculator does not include every financial situation that may affect a veteran. The Calculator should be used as a guide only and is not a substitute for a financial planner. Financial information is not saved or transmitted to VA.

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## Insurance Website Features

Among the many options available on our website an insured can:

<b>Link</b>	to the Department of Veteran’s Affairs Home Page which provides links for all Veterans Benefits & Services.
<b>View</b>	various information on all of VA’s life insurance programs, including SGLI and VGLI such as: <ul style="list-style-type: none"> <li>• insurance benefits for service-disabled veterans</li> <li>• how to file a death or waiver of premium claim</li> <li>• dividend options available</li> <li>• Frequently Asked Questions about VA life insurance, SGLI, SGLI Family coverage, TSGLI, and VGLI</li> <li>• buying life insurance</li> </ul>
<b>Apply for</b>	<ul style="list-style-type: none"> <li>• Service-Disabled Veterans’ Insurance using the AutoForm (Automated Form) application. (See “<b>Apply for S-DVI Insurance Online</b>” on page 86.)</li> <li>• A policy loan (See “<b>Applying For a Policy Loan</b>” on page 66.)</li> </ul>
<b>Calculate</b>	the estimated amount of life insurance necessary to support their survivors should the veteran die. (See “ <b>Life Insurance Needs Calculator</b> ” on page 86.)
<b>Access</b>	their insurance policy information. (All policies <i>except</i> VMLI and SGLI.) (See “ <b>On-line Policy Access</b> ” on page 85.)
<b>Ask</b>	questions about, or request an action be taken on, their VA life insurance policy.
<b>Search</b>	a database to determine if VA is holding unclaimed insurance funds. This money represents death awards, dividend checks and premium refunds that were mailed to policyholders. These payments were returned to VA by the Post Office because they could not be delivered.
<b>View, Download or Print</b>	<ul style="list-style-type: none"> <li>• this VA Life Insurance Programs handbook</li> <li>• the SGLI/VGLI handbook, which provides a comprehensive overview of these programs.</li> <li>• SGLI forms and VA insurance forms such as Designation of Beneficiary, Application for Reinstatement, Claim for Disability Insurance Benefits, and many others.</li> </ul>
<b>Contact</b>	<ul style="list-style-type: none"> <li>• the VA Insurance Center</li> <li>• the Office of Servicemembers' Group Life Insurance</li> </ul>

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UNITED STATES  
DEPARTMENT OF VETERANS AFFAIRS

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**All Other VA Life Insurance**

**Online Policy Access**

**Find a Form**

**Life Insurance Publications & Handbooks**

**Life Insurance Tools**

## LIFE INSURANCE

Our insurance programs were developed to provide insurance benefits for veterans and service members who may not be able to get insurance from private companies because of the extra risks involved in military service, or a service connected disability.

### How can I ...

- ▶ [Download SGLV 8286](#)
- ▶ [Convert my SGLI policy to VGLI](#)
- ▶ [Access my policy information online](#)
- ▶ [Find an insurance form](#)
- ▶ [Change my Family SGLI coverage amount](#)
- ▶ [Review my life insurance options](#)
- ▶ [Apply for Service-Disabled Life Insurance Online](#)



### Hot Issues

- ▶ [Servicemembers' Group Life Insurance Traumatic Injury Protection Program \(TSGLI\) Year-One Review](#)
- ▶ [SGLI and VGLI premium rates decreased effective 07/01/2008](#)
- ▶ [Traumatic Injury Protection \(TSGLI\)](#)
- ▶ [SGLI Disability Extension Increased to Two Years](#)

### Did You Know?

If you have a SGLI policy and are totally disabled when you separate from service, you may be able to keep your SGLI coverage for up to 2 years at no cost? Follow this link to [find out more about the SGLI Disability Extension](#).

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Compensation and Pension | GI Bill | Vocational Rehabilitation | Home Loans | Life Insurance  
Survivors' Benefits | Benefit Fact Sheets | Regional Office Web Sites | Manuals & Regulations  
Reports | If You Owe VA Money | GovBenefits.gov | USA Services

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Español | VA Forms | Facilities Locator | Contact the VA | Frequently Asked Questions (FAQs)  
Privacy Policy | Web Policies & Important Links | Annual Performance and Accountability Report  
Freedom of Information Act | Small Business Contacts | Site Map  
USA.Gov | White House | USA Freedom Corps

Reviewed/Updated Date: October 27, 2008

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