

**VA Financial Policies and Procedures, Volume II, Chapter 2H
Life Insurance Program**

CHAPTER 2H

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0201 OVERVIEW

This chapter provides department-wide policy for the VA's life insurance programs.

0202 POLICIES

020201 **Insurance Liabilities.** Actuarial reserve liabilities for the VA's insurance programs will be based on mortality and interest rate assumptions¹ at the time of issue.

020202 **VA-Administered Insurance Programs.** VA will administer five life insurance programs and the Veterans' Mortgage Life Insurance Program for certain totally disabled veterans on behalf of the United States Government. Title 38 of the United States Code requires that all life insurance programs invest in U.S. Treasury securities. The programs are:

- A. The United States Government Life Insurance (USGLI) program
- B. The National Service Life Insurance (NSLI) program
- C. The Veterans' Special Life Insurance (VSLI) program for healthy veterans
- D. The Insurance Act of 1951 established the Service-Disabled Veterans Insurance (S-DVI) program² 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
- E. In 1964, Congress enacted legislation providing for a limited reopening of NSLI and VSLI. As a result, the Veterans' Reopened Insurance (VRI) program was established. Beginning on 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, which was available only to disabled veterans. No term insurance policies were issued in this program.
- F. The Veterans' Mortgage Life Insurance (VMLI) program.

020203 **VA-Supervised Insurance Programs.** VA will supervise the Service members' Group Life Insurance (SGLI) and the Veterans' Group Life Insurance (VGLI) programs, which provide life insurance coverage to members of the

¹ These assumptions may vary by fund, type of policy, and type of benefit.

² New policies are still being issued under this program.

uniformed armed services, reservists, and post–Vietnam era veterans. VA has entered into a group policy with Prudential Insurance Company of America (Prudential), whereby Prudential and its reinsurers provide service members' and veterans' coverage in multiples of \$50,000 up to a maximum of \$400,000.

- A. The SGLI program was established in 1965 for Vietnam-era service members. SGLI is supervised by VA and is administered by Prudential's Office of Servicemembers' Group Life Insurance (OSGLI) under terms of the group policy. This program provides low-cost term insurance protection to service members.
- (1) Basic SGLI coverage is provided to active-duty members of the Army, Navy, Air Force, Marine Corps, and Coast Guard as well as commissioned members of the Public Health Service and the National Oceanic and Atmospheric Administration. The Ready Reserve is also insured by SGLI and includes reservists and members of the National Guard who are assigned to a unit or position in which they may be required to perform active duty or active duty for training. VGLI coverage includes separated and retired active-duty members and reservists who had been covered under basic SGLI.
 - (2) The Veterans' Opportunities Act of 2001 extended life insurance coverage to spouses and children of members insured under the SGLI program, effective November 1, 2001. For a spouse, up to \$100,000 of coverage can be purchased in increments of \$10,000, not to exceed the amount of the service member's coverage. Each dependent child of every active-duty service member or reservist insured under SGLI is automatically insured for \$10,000, free of charge.
 - (3) Premiums for the SGLI and VGLI programs are set by mutual agreement between VA and Prudential. SGLI premiums for active-duty personnel and their spouses are deducted from the service members' pay by the armed services components through the Department of Defense (DoD). DoD, through the Defense Finance and Accounting Service (DFAS), remits collected premiums to VA, which then transmits them to Prudential. Prudential records the premiums and maintains investments in its accounting records, which are separate and independent from the VA's reporting entity. VA monitors Prudential's insurance reserve balances to determine their adequacy and may increase or decrease the amounts retained by Prudential for contingency purposes. The reserves for the contingent liabilities are recorded in Prudential's accounting records and are not reflected in the VA's reporting entity because the risk of loss on these programs is assumed by Prudential and its reinsurers through the terms and conditions of the group policy.

- (4) VA will determine the costs of the claims that are traceable to the extra hazards of duty in the uniformed services, on the basis of the excess mortality incurred by current and former members of the uniformed services insured under SGLI, above what their mortality would have been under peacetime conditions. The costs so identified by the Secretary are paid by the uniformed services, as are all other program costs, not from service members' premiums B. In 1974, the VGLI program became available. VGLI, like SGLI, is supervised by VA but administered by the Office of Service members' Group Life Insurance (OSGLI). VGLI provides for the conversion of SGLI coverage to lifetime term insurance protection after a service member's separation from service.

020204 Reserve Liabilities. VA will report the insurance reserves for administered programs as liabilities covered by budgetary resources, while part of the Service-Disabled Veterans Insurance (S-DVI) and Veterans Insurance and Indemnities reserves are reported as liabilities, not covered by budgetary resources. Reserves for SGLI and VGLI are maintained in Prudential's financial records, since the risk of loss is assumed by Prudential. Actuarial reserve liabilities for the administered life insurance programs are based on the mortality and interest assumptions at time of issue. These assumptions vary by fund, type of policy, and type of benefit. The interest assumptions range from 2.25 to 5.0 percent. The mortality assumptions include the American Experience Table, the 1941 Commissioners Standard Ordinary (CSO) Table, the 1958 CSO Basic Table, and the 1980 CSO Basic Table.

020205 Insurance in Force. The amount of insurance in force will be the total face amount of life insurance coverage provided by each administered and supervised program as of the end of the fiscal year. It includes any paid-up additional coverage provided under these policies. The number of policies represents the number of active policies remaining in the program as of the end of each fiscal year.

020206 Policy Dividends. VA will determine annually the excess funds available for dividend payment. Only administered policies are eligible for dividends. Dividends are based on an actuarial analysis of the individual programs at the end of the preceding calendar year. Dividends are declared on a calendar-year basis and paid on policy anniversary dates. Policyholders can elect to: (1) receive a cash payment; (2) prepay premiums; (3) repay loans; (4) purchase paid-up insurance; or (5) deposit the amount in an interest-bearing account. A provision for dividends is charged to operations, and an insurance dividend is established when gains to operations are realized in excess of those essential to maintaining the solvency of the insurance programs.

0203 AUTHORITY AND REFERENCES

020301 [38 U.S.C. Chapter 19, Insurance](#)

0204 ROLES AND RESPONSIBILITIES

020401 The Assistant Secretary for Management/Chief Financial Officer (CFO), as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309, oversees all financial management activities relating to the Department's programs and operations. Specific responsibilities include the direction, management, and provision of policy guidance and oversight of VA's financial management personnel, activities, and operations. The CFO establishes financial policy, systems and operating procedures for all VA financial entities, provides guidance on all aspects of financial management, and directs and manages the Department's financial operations and systems support.

020402 All VA management Heads in Administrations, staff offices, staff organizations, and other key officials have the responsibility to implement financial policies and procedures established by the CFO, including compliance with the policies and procedures set forth in this chapter.

0205 DEFINITIONS

020501 United States Government Life Insurance (USGLI) program. The Federal Government's first venture into life insurance. During World War I, the United States 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 because private insurance companies were unwilling to assume the unpredictable risks associated with war. By establishing this program, Congress intended to avoid the financial burden imposed on the government by the pension programs that had been established after previous wars. The government became the largest life insurer in the United States with the coverage provided by this program.

020502 National Service Life Insurance (NSLI) program. This program covers policyholders who 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 that the 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.

020503 Veterans' Special Life Insurance (VSLI) program. This 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.

During this period, 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 uniformed services was terminated. Approximately 800,000 VSLI policies were issued between 1951 and 1957.

020504 Veterans' Mortgage Life Insurance (VMLI) program. This program began in 1971 and provides financial protection to cover eligible veterans' home mortgages in the event of death. VMLI is also issued to 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 and is payable only to the mortgage lender.

0206 RESCISSIONS

This chapter rescinds OF Bulletin 08GA1.04 VA Insurance Policy, dated October 10, 2007.

0207 QUESTIONS

Questions concerning these policies and procedures should be directed as shown below:

VHA	VHA Accounting Policy (Outlook)
VBA	VAVBAWAS/CO/FINREP (Outlook)
All Others	OFP Accounting Policy (Outlook)