

VA Financial Policies and Procedures
Dividends Payable to Life Insurance Policyholders

CHAPTER 16

1601 OVERVIEW.....	2
1602 POLICIES	2
1603 AUTHORITY AND REFERENCES	3
1604 ROLES AND RESPONSIBILITIES	3
1605 PROCEDURES.....	4
1606 DEFINITIONS.....	5
1607 RESCISSIONS.....	5
1608 QUESTIONS	6

1601 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures for the disbursing and reporting of dividend payables to policyholders. Refer to Volume VI Chapter 15, *Insurance Dividends Left on Deposit and Related Interest Payable*, for detailed information on the recording and reporting of insurance dividends and the related interest. Refer to Volume VI, Chapter 1, *Definition and General Principles for Recognition of a Liability*, for additional information on defining and recognizing liabilities.

Financial and reporting activities of VA insurance programs' are handled primarily through the VA Regional Office and Insurance Center (VAROIC), located in Philadelphia, PA, except for certain investing, reporting and reconciling activities that are performed by the Veterans Benefits Administration (VBA) in VA Central Office. VA administers the following six life insurance programs:

- United States Government Life Insurance (USGLI)
- National Service Life Insurance (NSLI)
- Veterans' Special Life Insurance (VSLI)
- Veterans' Reopened Life Insurance (VRI)
- Service-Disabled Veterans Insurance (SDVI)
- Veterans' Mortgage Life Insurance (VMLI).

Two major insurance programs, Servicemembers' Group Life Insurance (SGLI) and Veterans' Group Life Insurance (VGLI), are administered by VAROIC. These programs are administered by Prudential Insurance Company of America (Prudential) under the terms of a group insurance contract between VA and Prudential.

1602 POLICIES

160201 DISBURSING DIVIDENDS PAYABLE. VA will disperse dividends annually to policyholders in accordance with the option determined by the policyholder. VA does not pay dividends in the SGLI or VGLI programs. SGLI and VGLI are group term policies and do not pay dividends. VA does not pay dividends to SDVI or VMLI policyholders because the programs insure service-disabled Veterans at standard premium rates and, therefore, operate at a loss.

160202 REPORTING DIVIDENDS PAYABLE. VA will report dividends payable to policyholders as Public Insurance Liabilities on the face of the Consolidated Balance Sheet. VA will include the amount associated with dividend payments in Note 16.

1603 AUTHORITY AND REFERENCES

160301 Federal Accounting Standards Advisory Board (FASAB), Statement of Federal Financial Accounting Standards (SFFAS) No. 1, Accounting for Selected Assets and Liabilities

160302 Statement of Federal Financial Accounting Standards No. 5 (SFFAS #5), Accounting for Liabilities of the Federal Government

160303 OMB Circular A-136, Financial Reporting Requirements

160304 VBA Directive 4580, Insurance Fund and Insurance Appropriation Accounting

160305 VBA Handbook 4580, Insurance Fund and Insurance Appropriation Accounting

160306 VA Life Insurance Programs for Veterans and Servicemembers

160307 Volume 1, Chapter 2, United States Standard General Ledger

1604 ROLES AND RESPONSIBILITIES

160401 The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the Department's programs and operations, as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309. 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 and provides guidance on all aspects of financial management.

160402 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Finance Officers, Chiefs of Finance Activities, Fiscal Officials, Chief Accountants and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

160403 The Department of Veterans Affairs Regional Office and Insurance Center (VAROIC) in Philadelphia manages the Government's life insurance programs. For the six insurance programs administered directly by VA, the VAROIC is responsible for:

- Collecting premiums;
- Processing policy actions (change of address, loans, cash surrenders, etc.);
- Paying death and disability claims;
- Providing toll-free telephone service;
- Performing all actuarial functions;
- Formulating policy, plans and procedures; and
- Evaluating performance of the insurance programs.

160404 The VA Insurance Actuarial Staff is located at the Insurance Center in Philadelphia and is responsible for the financial management and actuarial soundness of the life insurance programs administered by the VAROIC. 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 preparing financial statements for each of the VA life insurance programs and working with the independent auditors assigned to certify the annual CFO financial statements.

1605 PROCEDURES

160501 DISBURSING DIVIDENDS PAYABLE. VA will pay the current dividends for the following funds when the insurance premium has been paid at least one month in the dividend year:

- 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").

The letters at the end of each type of life insurance coverage identify those policies containing a policy number commencing with the respective letter. Only policies with such lettering earn dividends and the policies must be administered by VA.

A. VA will base the amount of the dividend on the Veteran's age, the type of insurance and the length of time the policy has been in force. See VA Life Insurance Programs for Veterans and Servicemembers under 160306 for additional information on dividends associated with life insurance policies.

B. VA will disperse the dividends on an annual basis, generally four days before the anniversary date of each individual policy. Policyholders may choose from the four available options for receiving dividends.

1. Cash. VA will pay the dividends to the policyholder either by U.S. Treasury check or direct deposit into the policyholder's bank account.

2. Credit. VA will hold the dividend in a tax-free interest bearing credit account. Credit dividends may be used to prevent policy lapse, refunded upon the insured's request or included in the award to the beneficiary(ies) at the time of the insured's death.

3. Deposit. VA will hold dividends in a tax-free interest bearing deposit account. The dividends on deposit are available only on permanent plan policies. They may 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. They may be refunded upon the insured's request or they may be included in the award to the beneficiary(ies) at the time of the insured's death.

4. Premium. VA will apply the dividends to pay premiums in advance at the request of the policyholder.

160502 REPORTING DIVIDENDS PAYABLE. VA will report life insurance dividends payable as "Public Insurance Liabilities" and include the specific amount of dividends payable in Note 16 to the quarterly and annual financial statements.

Refer to Volume VI, Chapter 15, *Insurance Dividends Left on Deposit and Related Interest Payable*, for detailed information on the recording and reporting of insurance dividends and the related interest.

1606 DEFINITIONS

160601 Dividends. A refund of excess premiums, paid to the owner of an individual participating life insurance policy, which is not needed to pay for the costs of death claims. Life insurance dividends and interest thereon, are tax free to either the Veterans or to their beneficiaries.

160602 Dividends payable. A dividend declared by VA but not paid to policyholders. The dividends payable is an estimation of what policyholders have earned to date.

160603 Liability. A probable future outflow or other sacrifice of resources as a result of past transactions or events. A liability can represent assets owed for goods received, services received, assets acquired, construction performed (regardless of whether invoices have been received), amounts received but not yet earned or other expenses incurred but not paid.

160604 Policyholder. A Veteran who holds an insurance contract or policy.

160605 Public Liability. A claim against VA arising from transactions with non-Federal entities.

1607 RESCISSIONS

None required.

1608 QUESTIONS

Questions concerning these financial policies and procedures should be directed as follows:

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