

(j) Apply for waiver of premiums and total disability income benefits;

(k) Select or change settlement options for beneficiaries; and

(l) Assign a beneficiary's interest as provided under section 1918 of title 38 U.S.C.

(Authority: 38 U.S.C. 1906)

[67 FR 54739, Aug. 26, 2002]

§ 8.33 Cash value for term-capped policies.

(a) *What is a term-capped policy?* A term-capped policy is a National Service Life Insurance policy prefixed with "V" or Veterans Special Life Insurance policy prefixed with "RS," issued on a 5-year level premium term plan in which premiums have been capped (frozen) at the renewal age 70 rate.

(b) *How can a term-capped policy accrue cash value?* Normally, a policy issued on a 5-year level premium term plan does not accrue cash value (see section 8.14). However, notwithstanding any other provisions of this part, reserves have been established to provide for cash value for term-capped policies.

(c) *On what basis have the reserve values been established?* Reserve values have been established based upon the 1980 Commissioners Standard Ordinary Basic Table and interest at five per centum per annum in accordance with accepted actuarial practices.

(d) *How much cash value does a term-capped policy have?* The cash value for each policy will depend on the age of the insured, the type of policy, and the amount of coverage in force and will be calculated in accordance with accepted actuarial practices. For illustrative purposes, below are some examples of cash values based upon a \$10,000 policy at various attained ages for an NSLI "V" policy and a VSLLI "RS" policy:

Age	Cash value "V"	Cash value "RS"
75	\$1,494	\$1,716
80	3,212	3,358
85	4,786	4,818
90	6,249	6,217
95	8,887	7,286

(e) *What can be done with this cash value?* Upon cancellation or lapse of the policy, a policyholder may receive the cash value in a lump sum or may use the cash value to purchase paid-up in-

surance. If a term-capped policy is kept in force, cash values will continue to grow.

(f) *How much paid-up insurance can be obtained for the cash value?* The amount of paid-up insurance that can be purchased will depend on the amount of cash value that the policy has accrued and will be calculated in accordance with accepted actuarial practices. For illustrative purposes, below are some examples of paid-up insurance that could be purchased by the cash value of a "V" and an "RS" \$10,000 policy at various attained ages:

Age	Paid-up "V" insurance	Paid-up "RS" insurance
75	\$2,284	\$2,625
80	4,452	4,654
85	6,109	6,149
90	7,421	7,115
95	9,331	7,650

(g) *If the policy lapses due to non-payment of the premium, does the policyholder nonetheless have a choice of receiving the cash value or paid-up insurance?* Yes, the policyholder will have that choice, along with the option to reinstate the policy (see section 8.10 for reinstatement of a policy). However, if a policyholder does not make a selection, VA will apply the cash value to purchase paid-up insurance. Paid-up insurance may be surrendered for cash at any time.

(h) *If a policyholder elects to receive either the cash surrender or paid-up insurance due to lapse or voluntary cancellation of a term-capped policy, may the original term-capped policy be reinstated?* Yes, the term-capped policy may be reinstated but the policyholder, in addition to meeting the reinstatement requirements of term policies, must also pay the current reserve value of the reinstated policy.

[65 FR 54799, Sept. 11, 2000. Redesignated at 67 FR 54739, Aug. 26, 2002]

PART 8a—VETERANS MORTGAGE LIFE INSURANCE

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- 8a.1 Definitions.
- 8a.2 Maximum amount of insurance.
- 8a.3 Effective date.
- 8a.4 Coverage.