

VA Financial Policies and Procedures  
Life Insurance Dividends and Related Interest

**CHAPTER 15**

<b>1501 OVERVIEW .....</b>	<b>2</b>
<b>1502 POLICIES .....</b>	<b>3</b>
<b>1503 AUTHORITY AND REFERENCES .....</b>	<b>3</b>
<b>1504 ROLES AND RESPONSIBILITIES .....</b>	<b>3</b>
<b>1505 PROCEDURES .....</b>	<b>4</b>
<b>1506 DEFINITIONS.....</b>	<b>5</b>
<b>1507 RESCISSIONS.....</b>	<b>6</b>
<b>1508 QUESTIONS .....</b>	<b>6</b>

## 1501 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures for the accounting, recording and reporting of life insurance dividends left on deposit and related interest. VA's life insurance policyholders are issued participating policies and a portion of the earnings from those policies is returned to policyholders in the form of dividends. Refer to Volume VI Chapter 16, *Dividend Payable to Policyholders* for the policies and procedures for recording and disbursing dividend payable to policyholders. Refer to Volume VI, Chapter 4, *Interest Payable*, for further information relating to interest payable for insurance dividends and Volume VI, Chapter 1, *Definition and General Principles for Recognition of a Liability*, for additional information on defining and recognizing liabilities.

VA insurance programs' financial and reporting activities 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 the VAROIC. These programs are administered by Prudential Insurance Company of America (Prudential) under the terms of a group insurance contract between VA and Prudential.

150101 ACCOUNTING FOR DIVIDENDS LEFT ON DEPOSIT AND RELATED INTEREST PAYABLE. VA will determine the availability of excess operating funds for dividend payment purposes. VA does not pay dividends on 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 operate at a loss.

150102 RECORDING, REPORTING AND DISCLOSURE OF DIVIDENDS LEFT ON DEPOSIT AND RELATED INTEREST PAYABLE. VA will estimate liabilities and record year-end accruals as part of the yearend financial statement development process. VA will report and disclose dividend payable and related interest payable amounts in the financial statements, as prescribed by OMB Circular A-136, *Financial Reporting Requirements*.

## 1502 POLICIES

150201 ACCOUNTING FOR DIVIDENDS LEFT ON DEPOSIT AND RELATED INTEREST PAYABLE. VA will determine on an annual basis the availability of excess operating funds for dividend payment purposes on VA-administered policies only. Available dividends held on deposit will be maintained in an interest-bearing account for the beneficiaries.

150202 RECORDING, REPORTING AND DISCLOSURE OF DIVIDENDS LEFT ON DEPOSIT AND RELATED INTEREST PAYABLE.

A. VA will record dividends left on deposit and the related interest payable in liability accounts established in both VA's Standard General Ledger and the subsidiary Insurance General Ledger System. VBA will record year-end accruals and estimated liabilities which are used in developing the annual and quarterly financial statements.

B. VA will report the amount of dividends payable and related interest payable as Public Insurance Liabilities on the face of the Consolidated Balance Sheet. VA will include the specific amount of dividends payable and related interest payable in Note 16.

## 1503 AUTHORITY AND REFERENCES

150301 [Federal Accounting Standards Advisory Board \(FASAB\), Statement of Federal Financial Accounting Standards \(SFFAS\) No. 1, Accounting for Selected Assets and Liabilities](#)

150302 [FASAB, SFFAS No. 5, Accounting for Liabilities of the Federal Government](#)

150303 [Office of Management and Budget \(OMB\) Circular A-136, Revised, Financial Reporting Requirements](#)

150304 [VBA Directive 4580, Insurance Fund and Insurance Appropriation Accounting](#)

150305 [VBA Handbook 4580, Insurance Fund and Insurance Appropriation Accounting](#)

150306 [VA Life Insurance Programs for Veterans and Servicemembers](#)

150307 [Volume 1, Chapter 2, United States Standard General Ledger](#)

## 1504 ROLES AND RESPONSIBILITIES

150401 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.

150402 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.

150403 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.

150404 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.

## **1505 PROCEDURES**

### **150501 ACCOUNTING FOR DIVIDENDS LEFT ON DEPOSIT AND RELATED INTEREST PAYABLE.**

A. When operational gains are realized in excess of those essential to maintaining the solvency of the insurance programs, VA will determine annually the excess funds available for dividend payment. Only certain VA-administered insurance policies are eligible for dividends. VA will not pay dividends to current servicemembers insured under SGLI or VGLI, nor will VA pay dividends on the SDVI or VMLI programs, as described above in paragraph 150101.

1. VAROIC Actuarial Staff will prepare statistical and actuarial projections of insurance funds needs and resources to assist in the setting of premium and dividend rates for each program.

2. Once excess funds are determined, the VAROIC will calculate the policy dividends. VA has the authority to deposit available dividend funds into interest-bearing accounts for the beneficiaries and will pay interest on any insurance policy dividends left on deposit.

B. For insurance programs that VA administers, VA will declare dividends on a calendar-year basis and pay them on the policies' anniversary dates. Any interest earned on these dividends will also be paid to insurance policyholders at the same time.

#### 150502 RECORDING, REPORTING AND DISCLOSURE OF DIVIDENDS LEFT ON DEPOSIT AND RELATED INTEREST PAYABLE.

A. VA will record dividends left on deposit and the related interest payable in accordance with the VA's SGL accounts, as prescribed in Volume 1, Chapter 2, United States Standard General Ledger. For detailed accounting transactions and additional information on VA's insurance programs' financial operations, refer to VBA Handbook 4580, *Insurance Fund and Insurance Appropriation Accounting* (see 150605 above).

1. VA will perform quarterly reconciliations for the amount of dividends left on deposit and accrued interest, and the amount of policy loans and the accrued interest, policy count and insurance in-force prior to preparing the quarterly and annual financial statements.

2. VA will not record accruals and estimated liabilities in VA's national accounting system. They are initially recorded in October subsequent to year-end close and are then reversed in the subsequent fiscal period. VBA will record year-end accruals and estimated liabilities.

B. VA will report dividends payable and related interest payable (e.g., interest payable on insurance dividends left on deposit) as "Public Insurance Liabilities" and include the specific amount of dividends payable and related interest payable in Note 16 to the quarterly and annual financial statements.

#### 1506 DEFINITIONS

150601 Dividends. A refund of excess premium, paid to the owner of an individual participating life insurance policy, that is not needed to pay for the costs of death claims.

150602 Interest Payable. Interest incurred but unpaid on liabilities of the reporting entity. The amount of payable should be reported as a component of the appropriate liability accounts.

150603 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.

150604 Public Liabilities. A claim against VA arising from transactions with non-Federal entities.

### **1507 RESCISSIONS**

None required.

### **1508 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)