Veterans Affairs Canada   Anciens Combattants Canada

Veterans Insurance

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This policy replaces the following VPPM 3 policies: 4. Veterans Insurance; 4.1 Premiums; 4.2 Automatic Extended Term Insurance; 4.3 Reinstatement; 4.4 Change of Beneficiary/Beneficiaries; 4.5 Cash Surrender Value; 4.6 Death Claims; 4.7 Disability Waiver of Premium Benefits; 4.8 Unassignable; 4.9 Annual Statement; 4.10 Definitions.

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Purpose

This policy describes the administration of the Veterans Insurance program.

Policy

History

1. Soon after the cessation of hostilities in World War I there was seen to be a need to provide life insurance protection for returning soldiers, especially pensioners who were unable to pass the medical examination required to obtain commercial insurance. To address this need, Parliament enacted the *Returned Soldiers' Insurance Act*, which came into force on September 1, 1920. The Act provided a maximum of $5,000 life insurance, without medical examination to any veteran or widow/widower of any veteran of World War I. Policies under the *Returned Soldiers' Insurance Act* were available until August 31, 1933.
2. During the course of World War II the Government decided to proceed with the enactment of new legislation which would provide insurance similar to that available under the *Returned Soldiers' Insurance Act*. The *Veterans Insurance Act* was passed in 1944 and came into force on February 20, 1945. It provided for the purchase of up to $10,000 life insurance by any veteran or widow/widower of any veteran of World War II. In 1951, eligibility for this benefit was extended to discharged members of the Special Force who had served in a theatre of operations (Korea). Policies under the *Veterans insurance Act* were available until October 31, 1968.

Definitions

Insured means any person with whom the Minister entered into a contract under *The Returned Soldiers' Insurance Act* or the *Veterans Insurance Act*.

Policy means an agreement between the Department of Veterans Affairs and the insured to provide life insurance protection.

Policy Contract means the written contract outlining the provisions and conditions of the insurance coverage.

Face Amount means the amount of insurance purchased by the insured, payable at death.

Proceeds means the money from the policy which is paid to the beneficiary or to the insured.

Preferred Beneficiary means the spouse and children of the insured.

Contingent Beneficiary means the grandchild, parent, brother, sister, aunt, uncle, niece, nephew or first cousin of the insured.

Mode of Payment means how the policy proceeds are to be paid to the beneficiary, i.e., lump sum or annuity.

Apportionment of Money means the division of the policy proceeds according to the insured's wishes.

Death Claim means the process whereby a beneficiary or representative notifies and claims the policy proceeds.

Minister means the Minister of Veterans Affairs.

Cash Surrender means the process of surrendering a policy for its current cash value.

Annuity Certain means a guaranteed number of payments (monthly, quarterly, semi-annually, or annually) for a certain number of years (five, ten, fifteen or twenty).

Unassignable means the insurance proceeds cannot be transferred to another person.

Premiums

3. Premiums for insurance may be paid to the Receiver General for Canada:
    a. in a single monthly, quarterly, semi-annual or annual payment;
    b. over a period of ten, fifteen or twenty years, or until the anniversary of the policy nearest the sixty-fifth or eighty-fifth birthday of the insured.
4. Premiums may be paid indirectly by deduction from:

a. a pension under the Pension Act;
b. the salary or superannuation of a federal public servant;
c. the salary or service pension of a member of the Department of National Defence or the Royal Canadian Mounted Police.

Automatic Extended Term Insurance

5. When premiums have not been paid within the grace period of one month from the date due, the full face amount of insurance shall be continued automatically for a specific period of time, if premiums have been paid on the policy for at least two full years, unless another option is chosen by the insured.
6. The period of time that the full face amount of insurance shall be continued will be determined by the Extended Term Insurance Charts.

Reinstatement of Insurance

7. Where an insurance policy has been placed on Extended Term Insurance and has not expired, or been surrendered for its cash value, the insured may restore the policy to a premium-paying basis at any time within five years from the due date of the first premium in default by:
    a. payment of the arrears of premiums plus interest compounded annually; or
    b. submission of a medical examination in the case of a possible waiver of premiums due to disability.

Waiver of Premiums due to Disability

8. If, while in a premium-paying status, an insured becomes totally and permanently disabled before reaching the age of sixty and does not receive a 100% disability pension, the premiums shall be waived. The disability must not be attributed to the insured’s service.
9. The insured shall be deemed to be totally and permanently disabled when the insured’s total disability has existed for a period of at least one year.
10. The Minister may, at any time, require proof of the continuance of such disability.

11. Posthumous waiver of premiums may be granted when an insured had failed to make application for a waiver during the insured's lifetime.

Change of Beneficiary

12. Designation of a preferred beneficiary or contingent beneficiary or any variation in the mode of payment or apportionment of money, must be made in accordance with the provisions of the insurance contract.
13. The insured, at any time, may change the designation of the preferred beneficiary or contingent beneficiary or the mode of payment or apportionment of money.

Preferred Beneficiary

14. The spouse and children must form the preferred class of beneficiary. If the insured in not married and has no children, the preferred beneficiary must be shown as "future spouse", "future spouse and children", or "future children".
15. If the insured is unmarried, divorced, a widow or widower and has children, then the beneficiary must be one or more of the insured's children.

Contingent Beneficiary

16. The insured may name a grandchild, grandparent, parent, parent of the spouse, grandparent of the spouse, brother, sister, aunt, uncle, niece, nephew or first cousin as a contingent beneficiary to receive the policy proceeds in the event the insured dies leaving no surviving spouse and/or children.
17. If the insured appoints more than one preferred or contingent beneficiary, the insured can assign the proceeds of the policy to each preferred or contingent beneficiary as the insured wishes. If the insured does not designate the apportionment of the money, then it will be paid to each named beneficiary in equal shares. Insurance proceeds will only be paid to each contingent beneficiary in equal shares providing there are no surviving preferred beneficiaries.
18. If a preferred beneficiary predeceased the insured, the insured may designate a new preferred beneficiary or beneficiaries. If a new preferred

beneficiary is not designated, the share formerly apportioned to the deceased beneficiary shall be paid in equal shares to the remaining designated beneficiary or beneficiaries.

19. If a contingent beneficiary predeceases the insured, the insured may designate a new contingent beneficiary or beneficiaries. If a new contingent beneficiary is not designated and there is no surviving preferred beneficiary or beneficiaries, the share formerly apportioned to the deceased contingent beneficiary shall be paid in equal shares to the remaining designated contingent beneficiary or beneficiaries.
20. If the insured does not name a beneficiary or where all the named beneficiaries predecease the insured, the insurance proceeds shall be paid to any surviving spouse and children in equal shares. If the spouse and children predecease the insured and there is no named contingent beneficiary, the insurance proceeds shall be paid to the estate of the insured.
21. A common-law spouse must be named or designated to become a preferred beneficiary. That person must establish to the satisfaction of the Minister that they were living together for a period of not less than one year immediately prior to the death of the insured. That person shall, if the Minister so directs, be deemed to be the spouse of the insured in lieu of any spouse or future spouse.

Death Claim

22. Upon the death of the insured, payment shall be made to the beneficiary or beneficiaries as instructed by the insured under the terms of the contract.
23. The order of payment priority is as follows:
    a. named preferred beneficiary;
    b. surviving spouse and/or children (share-alike basis);
    c. named contingent beneficiary;
    d. Estate.
24. The settlement options are as follows:
    a. Lump sum;
    b. An “annuity certain” payable for five, ten, fifteen or twenty years;
    c. A life annuity; or

d. An annuity guaranteed for five, ten, fifteen or twenty years which is payable as long as the beneficiary may live.

   Since the 1980s, all current claims are settled for the full face value of the policy.

25. The payment option chosen by the insured may be varied by the beneficiary or beneficiaries after the death of the insured.
26. Where a beneficiary or contingent beneficiary survives the insured but dies before receiving all of the insurance money from the insurance contract, the remaining unpaid money shall be paid to the estate of the deceased beneficiary or deceased contingent beneficiary or as the Minister may determine.

Cash Surrender Value

27. The insured may surrender the policy or part of the policy for its cash value.
28. The cash surrender value is based on the policy reserve as determined by the British Offices Life Tables, OM(5), with interest at 3.5% per annum.
29. The policy must have been in force and premiums paid for at least two full years in order for the insured to surrender it for its cash value.
30. A written application is to be submitted to the Insurance Section by the insured along with the original policy contract. The signature of the preferred beneficiary is required on the cash surrender form before the cash surrender value can be paid.

Unassignable

31. The insurance money payable under the contract of insurance is unassignable and is not subject to the claim of creditors of the insured or of the beneficiary.

Annual Statement to Parliament

32. A financial report must be prepared and presented to Parliament annually.
33. Within three months after the end of each fiscal year, a statement will be prepared showing:

a. the premiums received during the fiscal year;
b. the insurance monies paid during the fiscal year;
c. the number and amount of contracts in force at the end of the fiscal year; and
d. such further information as the Minister deems advisable.

34. Such statements shall be presented to Parliament as soon as they are prepared.

References

The Returned Soldiers' Insurance Act

Veterans Insurance Act