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38 CFR Part 8

[Docket No. VA-2026-VBA-0430]

RIN 2900-AS98

Discontinuing Premium Collection from Policyholders on Certain National Service Life Insurance Policies

AGENCY: Department of Veterans Affairs.

ACTION: Proposed rule.

SUMMARY: The Department of Veterans Affairs (VA) is proposing to amend its National Service Life Insurance (NSLI) regulations to cease collecting premiums from veterans with NSLI policies identified by the prefixes “V,” “J,” and “JR.” VA has determined there are sufficient financial resources to cover the remaining active policies, enabling veterans to benefit from continued coverage without having to pay future premiums. These programs cover predominantly World War II-era veterans.

DATES: Comments must be received by [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

ADDRESSES: You may submit comments through *www.regulations.gov* under RIN 2900-AS98. That website includes a plain language summary of this rulemaking. Comments will be posted for viewing by the public on *www.regulations.gov*, including any personally identifiable information (e.g., a social security number or address) within a comment and its supporting materials. However, VA retains discretion to redact personal or sensitive information, including but not limited to personal or sensitive information pertaining to third parties. Additionally, VA will not post public comments that make threats to individuals or institutions or suggest that the commenter will take

actions to harm an individual. Instructions for accessing agency documents, submitting comments, and viewing the rulemaking docket, are available on *www.regulations.gov* under "FAQ." Any public comment received after the comment period's closing date is considered late and will not be considered in the final rulemaking.

FOR FURTHER INFORMATION CONTACT: Ethan Parker, Supervisory Insurance Specialist, Veterans Benefits Administration, ethan.parker2@va.gov.

SUPPLEMENTARY INFORMATION: NSLI was created by Congress on October 8, 1940, to handle the insurance needs of World War II service personnel. National Life Insurance Act of 1940, 54 Stat. 1008 (1940) (currently located at 38 U.S.C. 1901 et. seq.). Policies were issued from 1940 until April 24, 1951, under a variety of plans and as renewable term insurance, including policies issued under the "V" prefix (hereinafter, NSLI-V). Congress later authorized a limited reopening of NSLI to certain eligible World War II and Korean War veterans under Public Law (Pub. L.) 88-664, 78 Stat. 1094, 1096 (1964) (currently located at 38 U.S.C. 1925). During this time, policies were issued under the "J," "JR," and "JS" prefixes and are collectively referred to as the Veterans' Reopened Insurance (VRI) program. There are no longer any active reopened policies with the prefix "JS."

VA has determined that it is no longer necessary to collect premiums from veterans for NSLI-V policies and the VRI-J and VRI-JR policies. These policies cover predominantly World War II-era veterans and have been closed to new issues for decades. There are approximately 16,000 current policyholders under NSLI-V, VRI-J, and VRI-JR, ranging in age from 87 to 101 years. The funds that cover these policies are in strong financial position, and VA concludes there are sufficient financial resources to cover future liabilities and cost, while providing

adequate margin to guard against adverse experience and allow for the payment of dividends.

The NSLI-V, VRI-J, and VRI-JR programs are self-supporting (that is, operating without any appropriations). They are supported exclusively by premium income, accumulated reserves, and investment income generated within their dedicated insurance funds. As noted above, these programs are in a strong financial position and possess sufficient resources to meet all projected future liabilities. Because no appropriated dollars are used to administer or sustain these programs, placing NSLI-V, VRI-J, and VRI-JR premium paying policies into paid-up status would not result in any cost to the Federal Government. Rather, this proposed rule would adjust the internal operation of a mature, closed insurance program whose financial condition would allow VA to discontinue premium collection while continuing to honor all policy obligations without taxpayer funding.

VA notes that declaring an insurance program paid-up when there are sufficient financial resources to cover the remaining active policies is consistent with past VA action. In 1983, VA previously declared the United States Government Life Insurance (USGLI) program paid-up via regulatory revisions. See 48 FR 1959 (Jan. 17, 1983). A paid-up declaration for NSLI-V, VRI-J, and VRI-JR would benefit veteran policyholders in multiple ways. First, approximately 65% of current policyholders are required to pay premiums and a paid-up declaration would discontinue premium obligations for eligible veterans. Additionally, because premium obligations would cease prospectively, policyholders would no longer face potential lapses for nonpayment or a need to establish good health to reinstate a lapsed policy. VA and the veteran policyholders VA serves would also benefit from this rule inasmuch as VA

projects administrative savings due to reduced billing, check collections, dividends, and lapse-related activities.

I. Authority to Regulate

NSLI is established under chapter 19 of title 38, United States Code (U.S.C.), and implemented in part 8 of title 38, Code of Federal Regulations (CFR). Sections 1906 and 1908 authorize the Secretary to prescribe regulations regarding premium payments and general program policy provisions. Additionally, under 38 U.S.C. 501, "[t]he Secretary has authority to prescribe all rules and regulations which are necessary or appropriate to carry out the laws administered by the Department." Based on these authorities, VA is proposing to amend 38 CFR part 8 to establish paid-up status for NSLI policies with certain prefixes, which would cease premium payment collections for existing veteran policyholders of such policies.

II. Discussion of Proposed Changes

A. New § 8.37

VA proposes to add a new 38 CFR 8.37, titled "Paid-up status of National Service Life Insurance." Paragraph (a) of this new section, under the paragraph heading "Paid-up declaration and effective date," would provide that effective 30 days after publication of a final rule, all NSLI-V, VRI-J, and VRI-JR policies that are not already paid-up, terminated, or in force under the extended term insurance provision would be considered paid-up such that no further premiums would be required to maintain these policies in force.

Under proposed paragraph (a), VA would include in its paid-up declaration NSLI-V, VRI-J, and VRI-JR policies for which premium payments may be outstanding but for which VA has not completed the final lapse action to extend the plan as term insurance pursuant to 38 CFR 8.14. In such cases, these

veterans would not have to repay the missed premiums, and their insurance policies would continue without interruption. VA considered several factors in deciding to include these policies in the paid-up declaration: these late-payment cases are less than 3% of all current policies, the average amount owed is less than $60 per policy, these veterans are advanced in age, the fund is in strong financial health, and collecting these small payments would cost both the veterans and VA more time and money than what is owed. Allowing these policies to remain in force and declared paid-up without requiring payment of a limited number of overdue premiums is therefore considered the most compassionate and cost-effective approach.

For any lapsed policy for which VA has taken final action, VA notes that such policy could be declared paid-up under this proposed rule if the veteran applies and is approved for policy reinstatement within the eligibility period provided by 38 CFR 8.7.

Proposed paragraph (b) would include the heading “Continuation of policy provisions” and would specify that policies described in paragraph (a) would remain in effect subject to all contract provisions and applicable regulations, despite VA not collecting premiums from policyholders.

Proposed paragraph (c) would state, under the paragraph heading “Advance premiums,” that any premiums paid in advance for months subsequent to the effective month of the paid-up declaration shall be held on deposit on the policy to accrue interest until the insured requests a refund. VA considered automatically refunding any advance premiums to the veteran but opted to let the veteran decide due to potential unforeseen consequences associated with a lump-sum refund. VA would further outline in paragraph (c) that in the event a refund is requested, VA would remit to the veteran the advance premiums and

any accrued interest.

Proposed paragraph (d) would outline, under the paragraph heading "Effect of paid-up status on other provisions," how other provisions within part 8 would or would not apply as a result of VA's paid-up declaration. Because multiple sections within part 8 refer to or assume ongoing premium obligations, this paragraph would assist readers in understanding how a paid-up declaration affects those sections.

VA proposes to clarify in paragraph (d)(1) that VA would not bill, collect, remit, deduct, or otherwise require premiums for policies described in § 8.37(a). As previously discussed, this would include policies for which premiums may be owed but VA has not completed the final lapse action to extend the plan as term insurance pursuant to § 8.14. For example, consider a policy for which a premium is due on June 1, but the veteran does not pay the premium during the 31-day grace period, which expires on July 2. Under current § 8.2(d)(2), VA would treat a premium paid after the 31-day grace period as timely if the veteran pays the premium within 61 days of its due date and the veteran is alive when the payment is mailed. In this case, because the 61-day period extends through July 31, the policy is outside the grace period but still within the period during which a late premium would still be considered timely. Also, VA would not have taken final lapse action and placed the policy on extended term insurance until after expiration of the 61-day period. If the paid-up declaration becomes effective July 10, the policy would qualify for the paid-up declaration under proposed § 8.37(a). Further, under proposed § 8.37(d)(1), VA would not require payment of the unpaid June premium, the policy would remain in force and paid-up as of July 10, and no further premiums would be billed or collected. The unpaid June premium becomes irrelevant with respect to maintaining coverage.

VA proposes to clarify in paragraph (d)(2) that the paid-up declaration does not alter, forgive, or extinguish any policy loans (see § 8.13) or lien amounts (see §§ 8.3(a)(6) and (b)(2) and 8.13) that arose prior to the paid-up declaration effective date. Such indebtedness would remain fully enforceable in accordance with the policy contract and applicable regulations.

Veterans would continue to be eligible to earn annual dividends based on the program's investment performance and experience. Because the declaration of paid-up status would mean that premiums would no longer be due after the effective date, certain dividend options—namely those that involve applying dividends to reduce or pay future premiums— would no longer function in practice because no premiums would exist to be reduced or offset. To provide clarity for veterans, proposed paragraph (d)(3) would specify that dividends would be held on deposit to accrue interest unless the insured elects an option available under § 8.10(e) through (g).

Finally, veterans are able to pay premiums through pre-authorized debit, allotment, or other deduction authorization. See, e.g., 38 CFR 8.4 and 8.5. Proposed paragraph (d)(4) would specify that any such preauthorization related to premium payment would automatically terminate on the paid-up declaration effective date, ensuring that VA does not collect premiums that are no longer owed. This would include authorizations associated with policies that were not actively premium-paying at the time of the declaration but for which a deduction arrangement remains on file. It would not affect any authorizations for payment of any outstanding policy loans or liens, as described in proposed paragraph (d)(2).

B. Technical and Other Amendments

In addition to proposed new § 8.37, VA proposes to amend 38 CFR 8.2, which discusses payment of premiums, by adding a new paragraph (f), under the

heading “What effect does a paid-up declaration have upon the payment of premiums?” This paragraph would state that, notwithstanding paragraphs (a) through (e) of this section, no premiums would be due or payable for any policy described in § 8.37 on or after the effective date specified therein. While proposed § 8.37(d)(1) would state that premiums would not be required for policies VA has declared as paid-up, VA believes amending § 8.2 would provide additional clarity to readers looking for information about whether premiums would be owed on an NSLI policy.

Lastly, VA proposes to insert the undesignated heading “Other Provisions” before 38 CFR 8.31. Part 8 includes undesignated headings to assist readers in finding relevant sections. Newer provisions have been added to the end of part 8 under the undesignated heading “Appeals” despite not being related to such topic. With the proposed addition of new § 8.37, VA is proposing a technical amendment to organize §§ 8.31 through 8.37 under this general heading to avoid confusion.

III. Explanation of Comment Period

VA is issuing this proposed rule with a 30-day comment period. The Administrative Procedure Act (APA) does not specify the length of the comment period, requiring only that an agency give the public an “opportunity to participate.” Agencies commonly allow 30 to 60 days for comment on a proposed rule. VA is limiting the comment period to 30 days because this rule would financially benefit an aged veteran population and, based on public feedback on past paid-up declarations via regulation, VA believes that a 30-day public comment period is sufficient to ensure VA can gather input from interested parties while accelerating the process toward a final rule to assist affected veterans.

Executive Orders 12866, 13563, and 14192

VA examined the impact of this rulemaking as required by Executive Orders 12866 (Sept. 30, 1993) and 13563 (Jan. 18, 2011), which direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits. The Office of Information and Regulatory Affairs has determined that this rulemaking is a significant regulatory action under section 3(f) of Executive Order 12866. This proposed rule is expected to be a deregulatory action under Executive Order 14192 because this rule produces measurable savings by eliminating both Federal administrative activities and recurring burdens on insured veterans. These savings are outlined in the regulatory impact analysis associated with this rulemaking, which can be found as a supporting document at *www.regulations.gov*.

Regulatory Flexibility Act

The Secretary hereby certifies that this proposed rule would not have a significant economic impact on a substantial number of small entities as defined in the Regulatory Flexibility Act (5 U.S.C. 601-612). This certification is based on the fact that this rule would affect insured individuals and VA's administration of its insurance programs; it would impose no obligations on or impact small entities. Therefore, under 5 U.S.C. 605(b), the initial and final regulatory flexibility analysis requirements of 5 U.S.C. 603 and 604 do not apply.

Unfunded Mandates

This proposed rule would not result in the expenditure by State, local, and Tribal governments, in the aggregate, or by the private sector, of $100 million or more (adjusted annually for inflation) in any one year.

Paperwork Reduction Act

This proposed rule contains no provisions constituting a collection of information under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3521).

List of Subjects in 38 CFR Part 8

Insurance; Veterans.

SIGNING AUTHORITY

Douglas A. Collins, Secretary of Veterans Affairs, approved this document on November 10, 2026, and authorized the undersigned to sign and submit the document to the Office of the Federal Register for publication electronically as an official document of the Department of Veterans Affairs.

Gabriela DeCuir,

Alternate Federal Register Liaison Officer, Department of Veterans Affairs

For the reasons stated in the preamble, the Department of Veterans Affairs proposes to amend 38 CFR part 8 as set forth below:

PART 8–NATIONAL SERVICE LIFE INSURANCE

1. The authority citation for part 8 continues to read as follows:

Authority: 38 U.S.C. 501, 1901-1929, 1981-1988, unless otherwise noted.

2. In § 8.2, add paragraph (f) to read as follows:

§ 8.2 Payment of premiums.

* * * * *

(f) *What effect does a paid-up declaration have upon the payment of premiums?* Notwithstanding paragraphs (a) through (e) of this section, no premiums shall be due or payable for any policy described in § 8.37 on and after the effective date specified therein.

3. Add the undesignated center heading “Other Provisions” immediately before § 8.31.

4. Add § 8.37 to read as follows:

§ 8.37 Paid-up status of National Service Life Insurance.

(a) *Paid-up declaration and effective date.* Effective [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION OF THE FINAL RULE IN THE FEDERAL REGISTER], all National Service Life Insurance policies issued under 38 U.S.C. 1904 with policy prefix V and policies issued under 38 U.S.C. 1925 with policy prefixes J and JR that are not paid-up, terminated, or in force under the extended term insurance provision (§ 8.14) are considered paid-up and no further premiums are required to maintain such policies in force. A policy that is in force under extended term insurance as of the paid-up declaration effective date and is later approved for reinstatement under § 8.7 shall be considered

paid-up as of the paid-up declaration effective date, and no premiums shall be required to maintain such policy in force for any period beginning on or after that date.

(b) *Continuation of policy provisions.* Upon entering into non-premium-paying status following the paid-up declaration under paragraph (a), such policies shall remain in effect subject to all contract provisions and applicable regulations except for the premium-payment requirements.

(c) *Advance premiums.* Any premiums paid in advance but not yet applied as of the paid-up declaration effective date shall be held on deposit on the policy of the insured to accrue interest until the insured requests a refund or until the policy matures. If the insured requests a refund, or if the policy matures before the insured requests a refund, VA will remit the advance premiums plus any accrued interest.

(d) *Effect of paid-up status on other provisions.* Notwithstanding any other provision of this part, for any policy described in § 8.37(a):

(1) No premiums may be billed, collected, remitted, deducted, or otherwise required under §§ 8.2 through 8.5 as of the paid-up declaration date.

(2) Any lien or policy loan existing on a policy as of the paid-up declaration date shall remain in effect and shall continue to be subject to the terms of the policy and to §§ 8.11 through 8.15, as applicable. Nothing in this section shall be construed to cancel, forgive, or otherwise alter any such indebtedness or lien.

(3) Dividends shall be held on deposit on the policy of the insured to accrue interest in accordance with § 8.10(g), unless the insured elects another option under § 8.10(e)-(g).

(4) Any pre-authorized debit, allotment, or deduction authorization related to premium payment shall automatically terminate on the paid-up declaration

effective date.

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