

AUTHORIZING THE ATTORNEY GENERAL TO COMPROMISE SUITS ON GOVERNMENT LIFE INSURANCE (CONVERTED INSURANCE)

MAY 16 (legislative day, APRIL 24), 1940.—Ordered to be printed

Mr. GEORGE, from the Committee on Finance, submitted the following

REPORT

[To accompany S. 2679]

The Committee on Finance, to whom was referred the bill (S. 2679) to amend the Independent Offices Appropriation Act, 1934, as amended, with respect to the authority of the Attorney General to compromise suits on certain contracts of insurance, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

The purpose of this bill is to provide for amending the Independent Offices Appropriation Act, 1934, as amended, so as to authorize the Attorney General to compromise suits arising out of Government life insurance (converted insurance). Under existing law, the Attorney General is authorized to compromise suits on contracts of yearly renewable term insurance. The proposed legislation would enlarge this existing authority so as to include claims based on insurance policies of the United States Government life (converted type).

There are attached hereto and made a part of this report letters from the Attorney General and the Administrator of Veterans' Affairs, commenting on the proposed legislation.

Your committee is in accord with the observations contained in the report of the Attorney General to the effect that the proposed extension of authority to compromise suits would probably result in expediting the disposition of such cases and in reducing expenses of litigation both to the Government and to the policy holders. The report of the Attorney General is favorable to the proposed legislation, while the Administrator of Veterans' Affairs informs the committee that his office is unable to recommend favorable consideration of the bill.

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OFFICE OF THE ATTORNEY GENERAL,
Washington, D. C., July 24, 1939.

Hon. PAT HARRISON,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

MY DEAR SENATOR: I have your letter of June 23, 1939, requesting my views concerning the merits of the bill (S. 2679) to authorize the Attorney General to compromise suits on Government life insurance (converted insurance).

Under existing law, the Attorney General is authorized to compromise suits on contracts of yearly, renewable term insurance (act of February 24, 1938; 52 Stat. 81; U. S. Code, title 38, sec. 445b). This type of insurance was granted to members of the military and naval service during the World War (act of October 6, 1917, secs. 400 and 404; 40 Stat. 398), and is no longer issued. The privilege was extended to veterans of converting term insurance into other forms. Contracts not so converted expired (act of June 2, 1926; 44 Stat. 686). Since May 29, 1928, other types of insurance policies have likewise been issued to members of the Army and naval personnel (act of May 29, 1928; 45 Stat. 964; U. S. Code, title 38, sec. 511).

The purpose of the pending bill is to enlarge the Attorney General's existing authority to compromise claims arising out of wartime term insurance contracts, so as to include also claims based on insurance policies of any other type.

The proposed extension of the authority to compromise claims would probably result in expediting the disposition of such cases and in reducing expenses of litigation both to the United States and to its policyholders.

In view of the foregoing considerations, I find no objection to the enactment of the measure.

With kind regards,
Sincerely,

FRANK MURPHY,
Attorney General.

VETERANS' ADMINISTRATION,
Washington, July 11, 1939.

Hon. PAT HARRISON,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

MY DEAR SENATOR HARRISON: Further reference is made to your letter dated June 23, 1939, requesting a report on S. 2679, Seventy-sixth Congress, "A bill to amend the Independent Offices Appropriation Act, 1934, as amended, with respect to the authority of the Attorney General to compromise suits on certain contracts of insurance," which provides:

"That the sixth paragraph following the subtitle 'Veterans' Administration' in the first section of the Independent Offices Appropriation Act, 1934, as amended, is amended by striking out the words 'yearly, renewable term insurance' and inserting in lieu thereof the words 'yearly renewable term insurance or United States Government life insurance (converted insurance)'."

The sixth paragraph following the subtitle "Veterans' Administration," Independent Offices Appropriation Act, 1934, approved June 16, 1934 (48 Stat. 283, ch. 101), as amended, authorizes compromise of suits brought on contracts of war risk yearly renewable term insurance, but does not authorize compromise of suits brought on United States Government life (converted) insurance policies. The bill would authorize compromise of suits brought on United States Government life (converted) insurance policies as well as suits brought on contracts of war risk yearly renewable term insurance.

One of the chief arguments advanced for enactment of the law authorizing compromise of suits brought on contracts of War Risk yearly renewable term insurance prior to June 16, 1933, was that the Federal court dockets were overcrowded and that in many instances veterans would die long before there was any possibility of securing trial on the pending suits. A great majority of the suits for War Risk insurance then pending, have since been disposed of and there is no apparent reason why trial may not now be had within reasonable time. The majority of suits for War Risk yearly renewable term insurance pending in 1933 were based on a claim that the insured became permanently and totally disabled at the time of discharge from military or naval service in 1918 or 1919. Hence, such cases involved claims for large sums of money, and inability to secure prompt determination of such suits was alleged to work great hardship upon

litigants. The provisions of converted insurance policies specifically limit the right of an insured to payment of installments accruing 6 months prior to submission of due proof. The amount claimed to be presently due under a converted policy because of permanent total disability is, therefore, small as a general rule, and all claims under converted policies are handled on a current basis by the Veterans' Administration. For this reason, it is not believed that authorization to compromise suits on converted insurance would serve any useful purpose.

Judgments rendered in suits on yearly renewable term insurance are payable from the Military and Naval Insurance Appropriation, whereas judgments on United States Government life (converted) insurance policies are payable from the United States Government Life Insurance Fund, which consists of premiums paid by policyholders and the interest earned thereon through investments in Government securities. It is from this fund payments of dividends as well as other benefits provided for policyholders in their insurance policies are made.

The Administrator of Veterans' Affairs is charged with the responsibility of maintaining this fund intact and is also charged primarily with the determination of what disbursements shall be made therefrom in payment of liabilities under converted insurance policies. In the event of denial of a claim under a converted insurance policy, the claimant is authorized to institute suit in the Federal court where, upon trial, the claimant may have judgment providing he can establish his claim to the satisfaction of the court and jury.

Authorization to compromise claims on converted policies would to a certain extent substitute the finding of the United States Attorney for the judgment of a court and the decision of the Administrator of Veterans' Affairs.

The terms of a United States Government life-insurance policy are definite and payable in a fixed amount. A claim is either payable in full or not at all. By compromise the Government is forced into a position of admitting liability, and refusing to pay the full amount payable in the event such liability is established.

No data is available upon which to submit an estimate of the cost of this bill if enacted.

S. 2679 is similar with the purpose of H. R. 3050, Seventy-sixth Congress, on which a report was submitted to the chairman, Committee on World War Veterans' Legislation, House of Representatives, under date of April 29, 1939.

As the Department of Justice is charged with the defense of suits brought on United States Government life (converted) insurance, your committee may desire a report on the bill from that Department.

In view of the foregoing, the Veterans' Administration is unable to recommend favorable consideration of the bill to your committee.

Advice has been received from the Director, Bureau of the Budget, that there would be no objection by that office to the submission of this report to your committee.

Very truly yours,

FRANK T. HINES, *Administrator.*

