77TH CONGRESS 1st Session } SENATE { REPORT No. 234

INCREASING EARNINGS OF THE UNITED STATES GOVERNMENT LIFE-INSURANCE FUND AND THE NATIONAL SERVICE LIFE-INSURANCE FUND

APRIL 29, 1941.—Ordered to be printed

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

REPORT

[To accompany S. 1045]

The Committee on Finance, to whom was referred the bill (S. 1045) to increase the earnings of the United States Government life-insurance fund and the national service life-insurance fund by expediting the investment of the moneys thereof, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill do pass.

The committee inserted two clerical amendments as follows:

Page 1, line 3, strike out "notwithstanding any provision of law to the contrary,".

Page 2, line 10, after the word "accounts", insert "by the General Accounting Office".

The purpose of S. 1045 is to bring about greater economy and efficiency in the administration of the two systems of life insurance which the United States has provided for members and former members of its armed forces. The bill will increase by many thousands of dollars annually the earnings on the assets of the funds out of which benefits are paid to such persons. This result will be accomplished by the elimination of the time lag required under existing law between the receipt of such assets by the Treasury Department and their investment in interest-bearing obligations of the United States.

The two insurance systems which have been established for the members and former members of our armed forces are the United States Government life-insurance system and the new national service life-insurance system.

The United States Government life-insurance system, created by the act of December 24, 1919, was established for the purpose of providing a permanent plan of insurance for members of the armed forces of the United States who served during the period of the first World War and for certain classes of persons serving in our armed forces subsequent to that time. The United States Government life-insurance fund is the fund which comprises the assets of this system, and the policyholders under this system have an exclusive beneficial interest in this fund. Under existing law, all receipts on account of United States Government life insurance are deposited and covered into the Treasury to the credit of such fund. These receipts represent premiums paid by policyholders, interest earned on investments, proceeds from the sale of investments, repayments of loans, and other collections. The Secretary of the Treasury is authorized by law to invest the assets of the fund in interest-bearing obligations of the United States.

The national service life-insurance system, created by the act of October 8, 1940, is a new insurance system established by Congress for persons in the active service in the land or naval forces (including the Coast Guard) of the United States on October 8, 1940, and persons entering the service after that date, including those selected for training and service under the Selective Training and Service Act of 1940. The act of October 8, 1940 (like the 1919 act), establishes a fund to hold its assets. This new fund is known as the national service life-insurance fund. The receipts which go into this fund are of the same character as those which go into the other fund, and the Secretary of the Treasury is similarly authorized to invest the fund's assets in interest-bearing obligations of the United States.

The basis on which premium charges are determined and on which values are calculated in connection with each insurance system assumes that the assets of that system's fund will be continuously invested, and it is the duty of the administrative authorities to conduct the affairs of these two funds in such manner as to provide a maximum interest return at all times. Any failure promptly to invest these funds results in an unwarranted loss to the policyholders, since it deprives them of the benefit of interest earnings.

Under existing law, after receipt of accomplished certificates of deposit representing collection of premiums and other income, several time-consuming operations are required in order to make such moneys available for investment or disbursement. These operations include, among other things, the preparation of covering warrants, requisitions for the transfer of funds, and the issuance of warrants on the requisitions, all of which must bear the approval of the Treasury Department and the Comptroller General of the United States. During the time required to accomplish all of these operations the moneys lie idle, thereby resulting in decreased earnings to the funds.

Under the bill, all cash balances in these funds on the date of the bill's enactment (i. e., all uninvested assets of the funds), together with all receipts which thereafter accrue to such funds, including premiums, appropriated moneys, the proceeds of any sales of investments which may be necessary to meet current expenditures, and interest on investments, will be deposited immediately with the Treasurer of the United States in the disbursing accounts of the chief disbursing officer of the Division of Disbursement, Treasury Department, and will then be immediately available for disbursements to meet all expenditures necessary for the operations of the two insurance systems, and for investment purposes, without awaiting the execution of the several protracted accounting operations which are now necessary before the moneys in these funds are available for these purposes. Under the bill all operations necessary to a proper accounting of these funds will be executed on the basis of monthly accounts rendered by the chief disbursing officer to the Comptroller General. As indicated, this procedure will permit the making of moneys collected immediately available for disbursement and investment purposes. The bill will also facilitate the prompt disbursement of moneys already in the two funds. It will, therefore, not only increase the earning power of the funds but will also permit more expeditious payment to the beneficiaries and policyholders. The bill will not change the present basic investment procedures or policies of the Treasury Department in connection with these funds, except by accelerating the availability for investment of current receipts and by accelerating withdrawals of the proceeds of the sale of invested holdings as this may become necessary for current operations.

The importance of the immediate investment of all funds may be judged by the fact that the receipts of the United States Government life-insurance fund, the older fund, are approximately $100,000,000 per year, and it is expected that the receipts under the new fund will also run into many millions of dollars annually. Even a few days' loss of interest on sums of these proportions, therefore, represents a considerable loss to the fund involved.

The enactment of legislation of this character was recommended by the Administrator of Veterans' Affairs. The bill has the approval of the Treasury Department, and the Acting Comptroller General has stated that he has no objection to its submission to Congress.

O