

LIBERALIZATION OF CERTAIN PROVISIONS OF NATIONAL
SERVICE LIFE INSURANCE ACT

SEPTEMBER 19 (legislative day, SEPTEMBER 1), 1944.—Ordered to be printed

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

R E P O R T

[To accompany S. 2015]

The Committee on Finance, to whom was referred the bill (S. 2015) to liberalize certain provisions of the National Service Life Insurance Act of 1940, as amended, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

The enactment of this legislation would authorize payment of meritorious claims which must now be denied under the provisions of existing law, and since many of the persons who would be benefited are in needy circumstances, the committee recommends early consideration of this bill. Its various provisions are explained in detail in the attached letter from the Administrator of Veterans' Affairs.

VETERANS' ADMINISTRATION,
Washington, June 15, 1944.

The PRESIDENT OF THE SENATE,
The Capitol, Washington, D. C.

SIR: There is transmitted herewith draft of a proposed bill entitled "A bill to liberalize certain provisions of the National Service Life Insurance Act of 1940, as amended" with the request that the same be introduced and considered for enactment at the earliest practicable date.

Experience gained in administration of the act, and developments resulting from amendatory legislation enacted during the period of the war, demonstrate the desirability of further amendments.

Section 1 of the bill would amend subsection (j) of section 602 of the National Service Life Insurance Act to provide that in any case in which the reserve of a contract of converted national service life insurance, together with dividends accumulated thereon, exceeds the aggregate amount paid in installments to any or all persons within the permitted class of beneficiaries, the difference between such amounts shall be paid to the estate of the insured unless the estate of the insured would escheat under the laws of his place of residence, in which case no payment would be made. Under the provisions of existing law no payments of national service life insurance in force at the date of the insured's death may

be made in case the insured is not survived by any person within the permitted class of beneficiaries even though there are persons in being who are entitled to his estate under the provisions of his will or under the laws of descent and distribution of his place of residence. In certain cases the designated beneficiary will predecease the insured after he has carried insurance over a considerable period of time and there will be no one within the permitted class of beneficiaries living at the time of the insured's death. In such cases, it is believed that the reserve of the converted policy, which represents the amount paid as premiums in excess of the amount required for the protection afforded, together with any accumulated dividends, should be paid to the estate of the insured except where the estate would escheat.

Section 2 of the proposed bill would amend subsection (3) (A) of section 602 (d) of the National Service Life Insurance Act, effective as of October 8, 1940. Under subsection (3) (A) as now enacted, one who became totally disabled subsequent to October 8, 1940, and prior to April 20, 1942, as the result of injury or disease incurred in line of duty, which disability continued without interruption for 6 months or more, was granted \$5,000 gratuitous insurance under certain circumstances and premiums due thereon were waived until 6 months after termination of total disability or until April 20, 1943, whichever was the earlier date. If death occurred before total disability continued 6 full months, no insurance can be deemed to have been granted, or if the disabled person for some reason such as mental incompetency could not apply for waiver of premiums prior to April 20, 1943, his insurance protection ceased. The amendment proposed in section 2 of the bill would grant relief in cases in which death occurs within the required 6-month period and would extend the time for making application for continuance of waiver of premiums until 1 year after the date of enactment of the bill.

Section 3 of the bill would add a new subsection (r) to section 602 of the National Service Life Insurance Act to prevent lapse of insurance in a case in which an insured is not entitled to waiver of premiums on account of total disability because death occurred prior to the continuance of such total disability for 6 months. Under existing law, waiver cannot be granted unless a total disability continues for 6 months.

Section 4 of the bill proposes an amendment of subsection (5) of section 602 (d) of the National Service Life Insurance Act to permit application for insurance payments under subsection (2) or (3) of section 602 (d) to be filed within 5 years after the date of death of the insured. Under the provisions of subsection (5) as now enacted claim must be filed within 1 year after the death of the insured or 1 year after July 11, 1942, whichever is the later date. The Veterans' Administration has been required to deny insurance benefits because application was not timely filed in cases in which the insured's death was not announced by the service departments until more than 1 year after death had occurred. The need of this amendment is apparent.

Sections 5 and 6 of the bill would amend section 602 (h) (1) and section 602 (h) (2) of the National Service Life Insurance Act of 1940 to authorize the election of a refund life income in lieu of the mode of payments now provided. Under the provisions of section 602 (h) (1) if the beneficiary is under 30 years of age at the time the contract matures the insurance is payable in 240 installments, and payments will terminate after such payments are completed even though the beneficiary may continue to live many years thereafter. Under the provisions of section 602 (h) (2) if the beneficiary is 30 years or more of age at the time of the insured's death, insurance is payable in 120 installments certain with such payments continuing throughout the remaining lifetime of the beneficiary. In case a widow having a minor child, who is entitled to payments as provided in section 602 (h) (2), dies after having received one or more installments of insurance, payments under the contract will cease after payment of 120 installments has been completed even though the total amount of the installments paid or payable is less than the face value of the policy and even though the child is too young to be capable of self-support at the time payments expire. The proposed amendments will authorize the payment of the full face value of the insurance in every instance and will also insure an income throughout the lifetime of the first beneficiary under the policy. In most instances insurance payments would continue until the child is self-supporting.

The following tables show the number and amount of the monthly guaranteed installments purchased by \$1,000 on the basis of the American Experience Table of Mortality at 3 percent under a life annuity plan and the number and amount of the guaranteed installments for 120 months certain as provided in section 602 (h) (2) at the ages stated:

Refund life income

Age	Number of guaranteed installments	Amount of each installment	Sum of guaranteed installments	Age	Number of guaranteed installments	Amount of each installment	Sum of guaranteed installments
6.....	309	\$3. 24	\$1, 001. 16	30.....	265	\$3. 78	\$1, 001. 70
10.....	304	3. 29	1, 000. 16	40.....	235	4. 28	1, 001. 10
15.....	296	3. 38	1, 000. 48	50.....	199	5. 04	1, 002. 98
20.....	288	3. 48	1, 002. 24	60.....	158	6. 34	1, 001. 72
25.....	277	3. 62	1, 002. 74	70.....	116	8. 64	1, 002. 24

PAYMENTS FOR 120 MONTHS CERTAIN UNDER SECTION 602 (h) (2)

6.....	120	\$3. 40	\$408. 00	30.....	120	\$3. 97	\$478. 40
10.....	120	3. 45	414. 00	40.....	120	4. 50	540. 00
15.....	120	3. 64	424. 80	50.....	120	5. 39	646. 80
20.....	120	3. 65	438. 00	60.....	120	6. 81	817. 20
25.....	120	3. 79	454. 80	70.....	120	8. 51	1, 021. 20

Section 7 of the bill would amend subsection 602 (n) of the National Service Life Insurance Act of 1940 to authorize the beneficiary to make application for waiver of premiums in the event an insured dies after having been continuously disabled for 6 or more months without having made application for a waiver which could have been granted upon his application. It is provided that the Administrator shall not grant waiver of premiums becoming due more than 1 year prior to receipt in the Veterans' Administration of application for the same, except that in any case the Administrator finds that failure to make timely application was due to circumstances beyond the control of the insured, or of the beneficiary if the insured is dead, an application may be accepted at a later date. It is also provided that if the failure to submit evidence of the existence or continuance of total disability was due to circumstances beyond the control of the applicant, such evidence may be accepted at a later date.

Under existing laws waiver of premiums cannot be granted except upon application by the insured. In certain cases it appears that failure to make timely application was due to the mental incompetency of the insured and in case the insured died without filing application, waiver could not be granted on application made by the beneficiary. The proposed amendment would authorize application for waiver by the insured for a longer period than 1 year after the commencement of total disability and in such cases, in the event of the insured's death, would authorize application for waiver of premiums to be made by the beneficiary.

Enactment of the provisions of the proposed bill would authorize payment of many meritorious claims which must now be denied under the provisions of existing law, and as many of the persons who will be benefited under the proposed bill are in needy circumstances the need of early consideration of the proposed legislation is apparent.

Advice has been received from the Bureau of the Budget that there would be no objection by that Office to the submission of this proposed legislation to the Congress for its consideration.

Respectfully,

FRANK T. HINES, *Administrator.*

