
AMENDING THE NATIONAL SERVICE LIFE INSURANCE ACT OF 1940, AS AMENDED

FEBRUARY 7, 1947.—Ordered to be printed

Mr. WHITE (for Mr. MILLIKIN), from the Committee on Finance,
submitted the following

R E P O R T

[To accompany H. R. 1353]

The Committee on Finance, to whom was referred the bill (H. R. 1353) to amend 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.

EXPLANATION OF THE BILL

Section 1 of the bill would amend section 602 (a) of the National Service Life Insurance Act of 1940, as amended, to authorize the issuance originally of national service life insurance on any of the plans of insurance provided for in the act. To fully effectuate this purpose, section 2 of the bill would amend 602 (f) of the act, as amended, to provide that insurance may be issued initially on the 5-year level premium term plan or on any of the various permanent plans therein specified. Under present law only insurance on the 5-year level premium term plan may be issued originally and it must be carried for 1 year before it can be converted to a permanent plan. Your committee believes that the wartime need for restricting original policies to the 5-year level premium term plan has passed and that an applicant should now be permitted to avail himself of a permanent type policy without delay.

Section 2 of the bill would further amend section 602 (f) of the National Service Life Insurance Act of 1940, as amended, to provide that in any case in which the insured is shown by evidence satisfactory to the Administrator of Veterans' Affairs to be totally disabled at the expiration of the level premium term period of his insurance under conditions which would entitle him to continued protection but for such expiration, such insurance shall be automatically converted to insurance on the ordinary-life plan unless the insured has elected

some other available plan. This amendment is necessary to protect those persons who are unable by reason of incompetency or other condition of total disability to apply for conversion of insurance within the term period and who, but for expiration of that period, would be entitled to further insurance protection with waiver of premiums during the continuance of their total disability. Under existing law such persons lose their insurance upon the expiration of the term period. Section 3 of the bill would repeal subsections (y) (1) and (y) (2) of section 602 of the National Service Life Insurance Act of 1940, as amended. Subsection (y) (1) authorizes reinstatement of level premium term insurance upon payment of two monthly premiums and a showing of good health. This provision is of a character which may require a change at some future time to protect the interests of policyholders as a group. To permit flexibility the subject matter of this subsection is, therefore, more properly one for control by regulation than by statutory prescription. However, the Veterans' Administration has stated that no change in the present regulations authorizing this type of reinstatement is presently contemplated.

Subsection (y) (2) authorizes reinstatement of level-premium-term insurance within 6 months after lapse or within 6 months after the date of enactment of the Insurance Act of 1946, approved August 1, 1946 (February 1, 1947) whichever is later, upon payment of two monthly premiums, provided the applicant is in as good health on the date of application and tender of premiums as he was on the date of lapse. After February 1, 1947, term insurance which has lapsed more than 6 months may not be reinstated on a comparative-health basis. The majority of discharged World War II veterans have heretofore allowed their national service life insurance to lapse. The Veterans' Administration is now preparing to institute a national campaign to inform these veterans on their rights, and it appears that the purpose of this campaign cannot be achieved unless an additional 6 months beyond the February 1, 1947, dead line specified by the law is authorized. If subsection (y) (2) is repealed the Veterans' Administration proposes to issue regulations extending the period for reinstatement upon a comparative-health basis to August 1, 1947, prior to which time it is anticipated that the Veterans' Administration will have solved its present operating difficulties and complexities to the extent that notices of lapse can be transmitted on a current basis. The Veterans' Administration further proposes that after August 1, 1947, regulations will restrict reinstatement on a comparative-health basis to the period of 3 months. Your committee believes that under normal conditions the period of 6 months for comparative-health reinstatement is excessive, both from the standpoint of fairness to those policy holders who do not allow their policies to lapse and from the standpoint of the difficulty of determining comparative conditions of health at intervals longer than 3 months. This matter is considered to be one which should be subject to administrative regulation so that the period for comparative-health reinstatement may be adjusted to any future recurrence of abnormal conditions.

There follows a letter from the Administrator of Veterans' Affairs to the President pro tempore of the Senate which further explains the need for the proposed legislation.

JANUARY 23, 1947.

Hon. ARTHUR H. VANDENBERG,
President pro tempore of the Senate,
Washington 25, D. C.

DEAR MR. PRESIDENT: There is enclosed herewith draft of a proposed bill entitled "A bill to amend the National Service Life Insurance Act of 1940, as amended," with the request that it be introduced and considered for enactment.

The purpose of section 1 of the proposed bill and conforming amendments contained in section 2 thereof is to authorize the Veterans' Administration to issue originally national service life insurance on any of the permanent plans of insurance authorized by the National Service Life Insurance Act of 1940, as amended. Under existing law, national service life insurance may be originally issued on the 5-year level premium term plan only, and such insurance must be carried for 1 year before it may be converted to insurance on a permanent plan. The need of these restrictions in existing law has passed and there is no reason why insurance on any plan should not be initially issued.

The further purpose of section 2 of the proposed bill is to provide that in any case in which an insured is shown by evidence satisfactory to the Administrator of Veterans' Affairs to be totally disabled at the expiration of the level premium term period of his national service life insurance under conditions which would entitle him to continued insurance protection but for such expiration, such insurance shall be automatically converted to insurance on the ordinary life plan unless the insured has elected some other available plan.

It is anticipated that some policyholders of national service life insurance will be totally disabled at the expiration of the level premium term period of their insurance. Such individuals who will have been totally disabled for six or more consecutive months will be entitled to waiver of premiums until the expiration of the term, but insurance protection will cease at that time unless the level premium term insurance is converted to insurance on some other plan before the end of the term. Upon conversion of insurance to a permanent plan, the right of waiver of premiums which exists at the time of conversion will continue. Many such totally disabled persons, either because of incompetency or other circumstances beyond their control, may be unable to make application for conversion of insurance within the level premium term period. To guard against the hardship which would otherwise result under such circumstances, automatic conversion of insurance to a permanent plan must be provided. Under the provisions of section 2 of the proposed bill, the insurance protection and right to waiver of premiums of such individuals will be continued.

The purpose of section 3 of the proposed bill is to repeal subsections (y) (1) and (y) (2) of section 602 of the National Service Life Insurance Act of 1940, as amended. Subsection (y) (1) authorizes reinstatement of level-premium term insurance upon written application, payment of two monthly premiums, and evidence satisfactory to the Administrator that the applicant, subject to the provisions of the second sentence of section 602 (c) (2), is in good health. The part of section 602 (c) (2) which is referred to contains independent provisions relating to the exclusion of service-connected disability, less than total in degree, in determining good health for reinstatement purposes. These general provisions would continue to be applicable to reinstatement as provided for by regulations upon the repeal of subsection (y) (1).

Reinstatement within the term, upon the payment of two monthly premiums and a showing of good health, is now authorized under Veterans' Administration regulations and to meet existing conditions, was so authorized for several years prior to the enactment of subsection (y) (1). Although no change in such regulations is presently contemplated, it is believed that the matter of reinstatement generally is so affected by changing conditions involving the interests of policyholders as a group that considerable flexibility should be permitted in determining when and upon what conditions reinstatement may be accomplished. In keeping with this general principle, the provisions of subsection (y) (1) should be repealed in order that regulations with respect to the subject matter thereof shall be susceptible of such periodic changes as may be warranted.

Subsection (y) (2) authorized reinstatement of level-premium term insurance within 6 months after lapse or within 6 months after the date of enactment of the Insurance Act of 1946, approved August 1, 1946 (February 1, 1947), whichever is the later, upon payment of two monthly premiums, provided the applicant is in as good health on the date of application and tender of premiums as he was on the date of lapse. Under the provisions of this subsection, insurance which has lapsed more than 6 months may not be reinstated on a comparative health basis after

February 1, 1947, and the Veterans' Administration will be without authority to provide by regulation for reinstatement on a comparative health basis in such cases on or after February 1, 1947.

If subsection (y) (2) is repealed, the Veterans' Administration contemplates the issuance of regulations which will allow reinstatement on a comparative health basis up to August 1, 1947, without regard to the date the insurance lapsed. Subsequent to August 1, 1947, regulations will authorize reinstatement of national service life insurance on a comparative health basis within 3 months after lapse upon application and evidence satisfactory to the Administrator, that the applicant is in as good health at the time of application and payment of premiums as he was on the date of lapse. Such privilege of reinstatement will be similar to the reinstatement provisions now applicable to converted national service life insurance policies. This right is more liberal than the reinstatement privileges generally provided under policies issued by commercial insurers and affords reasonable protection for policyholders. In regard to permitting reinstatement to be accomplished for an indefinite period in the future on the basis of comparative health within 6 months from date of lapse, there is grave doubt that such practice would be equitable to those policyholders who continually retain their contracts in force. This conclusion is based to some extent upon the reinstatement requirements as published by other mutual insurers. It is difficult, if not impossible, to determine comparative conditions of health at two periods more than 3 months apart.

A great majority of the veterans who have been discharged from World War II have allowed their national service life insurance to lapse. It will be the purpose of the Veterans' Administration, on a national scale, to carry on an informative campaign so that veterans may be fully enlightened relative to their rights and privileges regarding national service life insurance. This program will comprehend the solicitation of assistance from all organizations interested in veterans' welfare. It is planned to utilize all recognized media, such as the mail, newspapers, magazines, radio, moving pictures, etc., for carrying information to the veterans. This program will have been completed before August 1, 1947. It is obvious that the proposed plan will be ineffective unless and until subsection (y) (2) is repealed.

The proviso of subsection (y) (2) authorizes the granting of an additional period not exceeding 60 days for the payment of premiums by an insured who makes inquiry prior to expiration of the grace period disclosing a clear intent to continue insurance protection. Similar provisions were contained in Veterans' Administration regulations prior to the enactment of subsection (y) (2). For the reasons heretofore stated in support of the repeal of subsection (y) (1), it is believed that this proviso, which also was intended to meet an existing situation, concerns a matter which is more properly one for regulation.

The proposed bill, if enacted, will not involve any cost in addition to that contemplated under existing law.

Because the right of reinstatement on a comparative health basis will expire February 1, 1947, in those cases where insurance has lapsed more than 6 months many veterans will be unable to reinstate lapsed insurance after that date under existing law. It is therefore respectfully urged that the proposed measure be specially considered for enactment at the earliest possible date.

Advice has been received from the Bureau of the Budget that there would be no objection by that office to the submission of the proposed legislation to the Congress.

Sincerely yours,

OMAR N. BRADLEY,
General, United States Army, Administrator.

The committee is in accord with the purposes of the bill and recommends its enactment.

