

AUTOMATIC RENEWAL OF TERM INSURANCE

JULY 15 (legislative day, JULY 6), 1953.—Ordered to be printed

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

REPORT

[To accompany H. R. 5705]

The Committee on Finance, to whom was referred the bill (H. R. 5705) to amend the existing law to provide for the automatic renewal of expiring 5-year-level premium-term policies of United States Government and national service life insurance, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

By virtue of this act, the Committee on Finance accepts the report of the Committee on Ways and Means, which is as follows:

EXPLANATION OF THE BILL

The purpose of this bill is to make automatic the renewal of 5-year-level premium-term policies of United States Government life insurance (World War I) and national service life insurance (World War II and Korea).

Today, a veteran who has one of these policies receives a notice 60 days prior to the expiration of the term, that the policy will expire on a given date. If he does not submit the necessary forms for renewal of the insurance within the next 30 days a second notice is sent to him 30 days prior to the expiration date. If he still fails to comply by making application and tendering the new premium, the insurance lapses at the end of the term and cannot thereafter be reinstated.

This legislation would eliminate all of the paperwork indicated in the above paragraph by providing that a 5-year-level premium-term policy when the term expired would be automatically renewed and the veteran billed for the higher premium based on the then attained age. This would seem to be not only in the best interests of the Government by reason of the elimination of most of the paperwork involved in the renewal, but it would also provide greater protection to the veteran by assuring him of the maintenance of his term policy. The bill does not in any way affect the existing authority for successive renewals of term policies which was specifically provided for in Public Laws 101 and 104 of the 82d Congress. Section 3 of the bill merely amends a part of section 621 of the National Service Life Insurance Act to conform with the new general language inserted by the bill in section 602 (f). Thus, automatic renewal will henceforth be a standard provision of all types of national service life insurance on the term plan, including the section 621 postservice insurance.

AUTOMATIC RENEWAL OF TERM INSURANCE

The enactment of this legislation would not result in any additional cost but rather would result in substantial administrative savings to the Government, estimated to be at least \$600,000 annually in the underwriting service of the Veterans' Administration alone. Further savings would likely accrue in other sections of the Veterans' Administration as well as savings by reduction in postage.

The premium rates applicable to term insurance for the three types of policies now in force are indicated in the tables below:

U. S. Government Life (World War I)

Age at nearest birthday	Premium per \$1,000 insurance				Age at nearest birthday	Premium per \$1,000 insurance			
	Monthly	Quarterly	Semi-annual	Annual		Monthly	Quarterly	Semi-annual	Annual
17.....	\$0.64	\$1.91	\$3.81	\$7.56	44.....	\$0.95	\$2.84	\$5.66	\$11.22
18.....	.64	1.91	3.81	7.56	45.....	.99	2.96	5.90	11.69
19.....	.64	1.91	3.81	7.56	46.....	1.03	3.08	6.14	12.17
20.....	.65	1.94	3.87	7.68	47.....	1.08	3.23	6.43	12.76
21.....	.65	1.94	3.87	7.68	48.....	1.14	3.41	6.79	13.47
22.....	.66	1.97	3.93	7.80	49.....	1.20	3.59	7.15	14.18
23.....	.66	1.97	3.93	7.80	50.....	1.27	3.80	7.57	15.00
24.....	.67	2.00	3.99	7.91	51.....	1.35	4.04	8.04	15.95
25.....	.67	2.00	3.99	7.91	52.....	1.43	4.28	8.52	16.89
26.....	.68	2.03	4.05	8.03	53.....	1.53	4.58	9.11	18.07
27.....	.68	2.03	4.05	8.03	54.....	1.64	4.91	9.77	19.37
28.....	.69	2.06	4.11	8.15	55.....	1.76	5.26	10.48	20.79
29.....	.70	2.09	4.17	8.27	56.....	1.89	5.65	11.26	22.33
30.....	.71	2.12	4.23	8.39	57.....	2.04	6.10	12.15	24.10
31.....	.72	2.15	4.29	8.51	58.....	2.21	6.61	13.17	26.11
32.....	.73	2.18	4.35	8.62	59.....	2.39	7.15	14.24	28.23
33.....	.74	2.21	4.41	8.74	60.....	2.59	7.75	15.43	30.60
34.....	.75	2.24	4.47	8.86	61.....	2.81	8.41	16.74	33.19
35.....	.76	2.27	4.53	8.98	62.....	3.06	9.15	18.23	36.15
36.....	.77	2.30	4.59	9.10	63.....	3.33	9.96	19.84	39.34
37.....	.79	2.36	4.71	9.33	64.....	3.63	10.86	21.62	42.88
38.....	.80	2.39	4.77	9.45	65.....	3.96	11.85	23.59	46.78
39.....	.82	2.45	4.88	9.69	66.....	4.33	12.95	25.79	51.15
40.....	.84	2.51	5.00	9.92	67.....	4.73	14.15	28.18	55.97
41.....	.87	2.60	5.18	10.28	68.....	5.17	15.47	30.80	61.07
42.....	.89	2.66	5.30	10.51	69.....	5.64	16.87	33.60	66.62
43.....	.92	2.75	5.48	10.87	70.....	6.16	18.43	36.70	72.77

National service life insurance (World War II)

Age at nearest birthday	Premium per \$1,000 insurance				Age at nearest birthday	Premium per \$1,000 insurance			
	Monthly	Quarterly	Semi-annual	Annual		Monthly	Quarterly	Semi-annual	Annual
17.....	\$0.64	\$1.92	\$3.82	\$7.68	44.....	\$0.95	\$2.84	\$5.67	\$11.25
18.....	.64	1.92	3.82	7.68	45.....	.99	2.96	5.90	11.72
19.....	.65	1.95	3.88	7.70	46.....	1.03	3.08	6.14	12.19
20.....	.65	1.95	3.88	7.70	47.....	1.08	3.23	6.44	12.79
21.....	.65	1.95	3.88	7.70	48.....	1.14	3.41	6.80	13.50
22.....	.66	1.98	3.94	7.81	49.....	1.20	3.59	7.16	14.21
23.....	.66	1.98	3.94	7.81	50.....	1.27	3.80	7.57	15.01
24.....	.67	2.01	4.00	7.93	51.....	1.35	4.04	8.05	15.95
25.....	.67	2.01	4.00	7.93	52.....	1.44	4.31	8.59	17.05
26.....	.68	2.03	4.05	8.05	53.....	1.54	4.61	9.18	18.23
27.....	.69	2.06	4.11	8.17	54.....	1.65	4.94	9.84	19.53
28.....	.69	2.06	4.11	8.17	55.....	1.77	5.30	10.55	20.95
29.....	.70	2.09	4.17	8.29	56.....	1.90	5.69	11.33	22.49
30.....	.71	2.12	4.23	8.41	57.....	2.05	6.13	12.22	24.27
31.....	.72	2.15	4.29	8.52	58.....	2.21	6.61	13.18	26.16
32.....	.73	2.18	4.35	8.64	59.....	2.40	7.18	14.31	28.41
33.....	.74	2.21	4.41	8.76	60.....	2.60	7.78	15.50	30.78
34.....	.75	2.24	4.47	8.88	61.....	2.82	8.44	16.82	33.39
35.....	.76	2.27	4.53	9.00	62.....	3.07	9.19	18.31	36.35
36.....	.77	2.30	4.59	9.12	63.....	3.34	10.00	19.92	39.54
37.....	.79	2.36	4.71	9.35	64.....	3.64	10.89	21.71	43.09
38.....	.81	2.42	4.83	9.59	65.....	3.97	11.88	23.67	47.00
39.....	.83	2.48	4.95	9.83	66.....	4.34	12.99	25.88	51.38
40.....	.85	2.54	5.07	10.04	67.....	4.74	14.19	28.27	56.12
41.....	.87	2.60	5.19	10.30	68.....	5.18	15.50	30.89	61.33
42.....	.89	2.66	5.31	10.54	69.....	5.66	16.94	33.75	67.01
43.....	.92	2.75	5.49	10.89	70.....	6.18	18.49	36.85	73.16

Special national service life insurance (service on or after June 27, 1950)

Age at nearest birthday	Premium per \$1,000 insurance				Age at nearest birthday	Premium per \$1,000 insurance			
	Monthly	Quarterly	Semi-annual	Annual		Monthly	Quarterly	Semi-annual	Annual
17.....	\$0.20	\$0.60	\$1.19	\$2.38	44.....	\$0.76	\$2.28	\$4.54	\$9.03
18.....	.20	.60	1.19	2.38	45.....	.82	2.46	4.90	9.74
19.....	.21	.63	1.25	2.49	46.....	.88	2.64	5.26	10.45
20.....	.21	.63	1.25	2.49	47.....	.95	2.84	5.67	11.28
21.....	.22	.66	1.31	2.61	48.....	1.02	3.05	6.09	12.12
22.....	.23	.69	1.37	2.73	49.....	1.10	3.29	6.57	13.07
23.....	.24	.72	1.43	2.85	50.....	1.19	3.56	7.11	14.14
24.....	.25	.75	1.49	2.97	51.....	1.28	3.83	7.64	15.20
25.....	.26	.78	1.55	3.09	52.....	1.38	4.13	8.24	16.39
26.....	.27	.81	1.61	3.21	53.....	1.49	4.46	8.90	17.70
27.....	.28	.84	1.67	3.33	54.....	1.61	4.82	9.62	19.12
28.....	.29	.87	1.73	3.44	55.....	1.75	5.21	10.45	20.79
29.....	.31	.93	1.85	3.68	56.....	1.89	5.66	11.29	22.45
30.....	.32	.96	1.91	3.80	57.....	2.04	6.11	12.18	24.23
31.....	.34	1.02	2.03	4.04	58.....	2.21	6.62	13.20	26.25
32.....	.36	1.08	2.15	4.28	59.....	2.40	7.19	14.33	28.51
33.....	.38	1.14	2.27	4.51	60.....	2.60	7.79	15.53	30.88
34.....	.40	1.20	2.39	4.75	61.....	2.82	8.44	16.84	33.50
35.....	.43	1.29	2.57	5.11	62.....	3.05	9.13	18.22	36.23
36.....	.45	1.35	2.69	5.35	63.....	3.31	9.91	19.77	39.32
37.....	.48	1.44	2.87	5.70	64.....	3.59	10.75	21.44	42.64
38.....	.51	1.53	3.05	6.06	65.....	3.90	11.68	23.29	46.33
39.....	.54	1.62	3.23	6.41	66.....	4.23	12.67	25.26	50.25
40.....	.58	1.74	3.46	6.89	67.....	4.59	13.74	27.41	54.52
41.....	.62	1.86	3.70	7.36	68.....	4.98	14.91	29.74	59.15
42.....	.67	2.01	4.00	7.96	69.....	5.41	16.20	32.31	64.26
43.....	.71	2.13	4.24	8.43	70.....	5.87	17.53	35.06	69.73

The reports of the Veterans' Administration, and the General Accounting Office follow:

VETERANS' ADMINISTRATION,
Washington 25, D. C., June 23, 1953.

Hon. EDITH NOURSE ROGERS,
Chairman, Committee on Veterans' Affairs,
House of Representatives, Washington 25, D.C.

DEAR MRS. ROGERS: Reference is made to your request for a report by the Veterans' Administration on H. R. 5705, 83d Congress, a bill to amend the existing law to provide for the automatic renewal of expiring 5-year level premium term policies of United States Government and national service life insurance.

The purpose of the bill is to amend appropriate provisions of the World War Veterans' Act, 1924, as amended, and the National Service Life Insurance Act of 1940, as amended, to provide that at the expiration of any 5-year term period any United States Government life insurance or national service life insurance issued on the 5-year level premium term plan which has not been exchanged or converted to a permanent plan of insurance and which is not lapsed at the expiration of the 5-year term period shall be renewed as level premium term insurance without application for a successive 5-year period at the premium rate for the attained age without medical examination.

Under existing law, with certain limited exceptions, all 5-year level premium term policies cease and terminate at the expiration of the term period unless application for renewal and tender of the required premiums are made prior to expiration of the current term period. Under the bill, term insurance in force at the expiration of the term period, either by payment or waiver of premiums, would be automatically renewed without the need for any action on the part of the insured.

The program of United States Government life insurance originally contemplated the conversion of all yearly renewable term insurance to a permanent plan of insurance. In 1926 the right was granted to convert such insurance to 5-year level-premium term insurance but only 1-term period was authorized. Periodically thereafter, additional 5-year periods were authorized until 1951. In that year the Congress authorized (Public Law 101, Aug. 2, 1951) renewal of term insurance for successive 5-year periods without limitation. In 1940, national service life insurance was authorized on a 5-year level premium-term plan and only 1-term period was authorized. This term period was extended 3 years for certain policies in 1945, and in 1948, one additional 5-year period was authorized. By

virtue of Public Law 104, the Congress in 1951 authorized successive renewals, without limitation, of such term insurance. In view of the current policy with respect to renewals of Government term insurance, there appears to be little, if any, reason for continuing the statutory requirement that the insured make application for renewal and tender the new premium prior to expiration of the term period.

Under existing procedure, approximately 3 months before the date of expiration of the term period an application is mailed to the policyholder, together with a form letter, explaining the requirements for renewal. If the policyholder does not apply for renewal within 30 days, another application is mailed enclosing the same type form letter stamped "This is your final notice." In addition, the premium notice for the last month in the expiring term is hand-stamped "Final notice on this term contract. This premium must be timely paid before action can be taken on renewal." Upon receipt of an application for renewal and the premium for the first month of the new term period certain detailed additional procedures, required to safeguard the interest of the insured and of the Government, are followed.

It is apparent that if H. R. 5705 is enacted, the administrative requirements with respect to the renewal of term insurance will be greatly simplified, with a resulting economy in operations. Should an insured not desire to continue the insurance under the new term, the policy will merely lapse for nonpayment of premiums. However, there will continue to be available to such former insured the right of reinstatement at any time during the 5-year period by meeting the requirements therefor. Under existing law after the expiration of any term period without a renewal thereof there can be no reinstatement and the provisions of Public Law 23, 82d Congress, preclude the granting of new insurance.

It is estimated that approximately 270,000 term policies will be renewed in fiscal year 1954. On that basis it is estimated that if the bill is enacted savings for that year of approximately \$600,000 may be realized in the underwriting activities of the Veterans' Administration.

While it is the general policy of the Administrator to refrain from recommending for or against veterans' benefit legislation, this proposal is regarded as one involving primarily a matter of administrative procedure which will improve the efficiency and economy of our insurance operations. Accordingly, the Veterans' Administration recommends favorable consideration of H. R. 5705 by your committee.

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

Sincerely yours,

H. V. SPURLING,
Deputy Administrator
(For and in the absence of the Administrator).

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D. C., June 24, 1953.

Hon. EDITH NOURSE ROGERS,
Chairman, Committee on Veterans' Affairs,
House of Representatives.

MY DEAR MADAM CHAIRMAN: Reference is made to your letter of June 12, 1953, requesting my comments, recommendations, and an estimate of the cost involved, if any, with respect to the bill H. R. 5705, 83d Congress, to amend the existing law to provide for the automatic renewal of expiring 5-year-level premium-term policies of United States Government and national service life insurance.

The proposed legislation will make unnecessary applications by the insureds and attendant underwriting action by the Veterans' Administration in connection with renewal of expiring 5-year-term insurance. While recent administrative procedures have been developed and installed by the Office of Insurance which have eliminated certain application and underwriting activities with respect to renewal action, the proposed legislation would provide further for the elimination of the requirement that the initial premium for the new term be paid prior to the expiration of the old term. The elimination of these various administrative actions will undoubtedly result in considerable administrative savings.

Under these circumstances, this Office perceives of no objection to the favorable consideration of H. R. 5705.

Sincerely yours,

LINDSAY C. WARREN,
Comptroller General of the United States.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington 25, D. C., June 25, 1953.

Hon. EDITH NOURSE ROGERS,
Chairman, Committee on Veterans' Affairs,
House of Representatives, Washington 25, D. C.

MY DEAR MADAM CHAIRMAN: This is in response to your letter of June 12, 1953, inviting the Bureau of the Budget to comment on H. R. 5705, a bill to amend the existing law to provide for the automatic renewal of expiring 5-year-level-premium-term policies of United States Government and national service life insurance.

The effect of the bill would be to make automatic policy renewals which now require application by the insured. Initiative and administrative action would be confined to the Veterans' Administration and considerable simplification of procedure would be made possible.

Thus, H. R. 5705, if enacted, would result in net administrative savings rather than additional cost. The Veterans' Administration estimates administrative savings at approximately \$600,000 in fiscal year 1954 when some 270,000 policies will be renewed. More substantial savings may be anticipated for subsequent years when larger numbers of policies will require renewal.

Administrative savings may be offset to some degree by costs of extra hazard benefits accruing to veterans whose policies may have expired except for the provision of automatic renewal. It is impossible to estimate such costs because the number of policies in question is not known. In any event the estimated savings can reasonably be expected to exceed these costs.

The Bureau of the Budget recommends favorable consideration of H. R. 5705 by your committee since the simplification of administrative procedures resulting from its enactment would eliminate a recurrent administrative problem of the Veterans' Administration, and at the same time simplify and improve the service rendered.

Sincerely yours,

ROWLAND HUGHES,
Assistant Director.

CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets; new matter is printed in italics; existing law in which no change is proposed is shown in roman):

FIRST PARAGRAPH OF SECTION 301, WORLD WAR VETERANS' ACT OF 1924, AS AMENDED

SEC. 301. Except as provided in the second paragraph of this section, not later than July 2, 1927, all term yearly renewable insurance held by persons who were in the military service after April 6, 1917, shall be converted, without medical examination, into such form or forms of insurance as may be prescribed by regulations and as the insured may request. Regulations shall provide for the right to convert into ordinary life, twenty-payment life, endowment maturing at age sixty-two, five-year level premium term, and into other usual forms of insurance, and for reconversion of any such policies to a higher premium rate or, upon proof of good health satisfactory to the Administrator, to a lower premium rate, in accordance with regulations to be issued by the Administrator, and shall prescribe the time and method of payment of the premiums thereon, but payments of premiums in advance shall not be required for periods of more than one month each, and may be deducted from the pay or deposit of the insured or be otherwise made at his election: *Provided*, That no reconversion shall be made to the five-year level premium form of policy: *Provided further*, That at the expiration of any [five-year period a five-year level-premium-term policy may be renewed for a successive five-year period at the premium rate for the attained age without medical examination.] *term period any United States Government life insurance policy issued on the five-year-level-premium-term plan which has not been exchanged or converted to a permanent plan of insurance and which is not lapsed shall be renewed as level-premium-term insurance without application for a successive five-*

year period at the premium rate for the attained age without medical examination: Provided further, That any five-year level premium term policy which shall expire while the insured is outside the continental limits of the United States and in the opinion of the Administrator cannot be reached promptly by the usual methods of communication, may be renewed at the expiration of any five-year period, by the designated beneficiary or by an agent authorized in writing by the insured to take such action, for a second or third or fourth five-year term period at the premium rate for the attained age without medical examination: Provided further, That unless it be shown by evidence satisfactory to the Administrator that the insured does not desire renewal, any such policy in force when the five-year term period expires or has expired on or after December 7, 1941, while the insured was in the active service (as defined in section 1 (b) of Public Law 490, Seventy-seventh Congress) outside the continental limits of the United States, excluding any policy continued in another form of Government insurance, will be deemed to have been renewed at the expiration of such five-year term period, and the head of the department concerned is hereby authorized and directed to make an allotment under Public Law 490, Seventy-seventh Congress, subject to prospective termination by the insured in accordance with section 7 thereof, to cover the premiums at the required rate from the date of renewal: And provided further, That the two foregoing provisos authorizing renewal of a five-year level premium term policy by any person other than the insured or his duly authorized agent shall be effective until the termination of hostilities as proclaimed by the President or as determined by joint resolution of the Congress, and for three months thereafter.

SUBSECTION (F) OF SECTION 602 OF THE NATIONAL SERVICE LIFE INSURANCE ACT OF 1940, AS AMENDED

(f) Such insurance may be issued on the following plans: Five-year level premium term, ordinary life, twenty-payment life, thirty-payment life, twenty-year endowment, endowment at age sixty, and endowment at age sixty-five. Level premium term insurance may be converted as of the date when any premium becomes or has become due, or exchanged as of the date of the original policy, upon payment of the difference in reserve, at any time while such insurance is in force and within the term period to any of the foregoing permanent plans of insurance, except that conversion to an endowment plan may not be made while the insured is totally disabled. All level premium term policies, except as provided below, shall cease and terminate at the expiration of the term period: *Provided, That at the expiration of any term period any national service life insurance policy [which has not been exchanged or converted to a permanent plan of insurance, may be renewed as level premium term insurance for a successive period of five years at the premium rate for the then attained age without medical examination, provided the required premiums are tendered prior to the expiration of such term] issued on the five-year-level-premium-term plan which has not been exchanged or converted to a permanent plan of insurance and which is not lapsed shall be renewed as level-premium-term insurance without application for a successive five-year period at the premium rate for the attained age without medical examination: Provided further, That in any case in which the insured is shown by evidence satisfactory to the Administrator to be totally disabled at the expiration of the level premium term period of his insurance under conditions which would entitle him to continued insurance protection but for such expiration, such insurance, if subject to renewal under this provision, shall be automatically renewed for an additional period of five years at the premium rate for the then attained age, unless the insured has elected insurance on some other available plan. Provisions for cash, loan, paid-up, and extended values, dividends from gains and savings, refund of unearned premiums, and such other provisions as may be found to be reasonable and practicable may be provided for in the policy of insurance from time to time by regulations promulgated by the Administrator: Provided further, That until and unless the Veterans' Administration has received from the insured a request in writing for payment in cash, any dividend accumulations and unpaid dividends shall be applied in payment of premiums becoming due on insurance subsequent to the date the dividend is payable after January 1, 1952.*

SUBSECTION (A) OF SECTION 621 OF THE NATIONAL SERVICE LIFE INSURANCE ACT OF 1940, AS AMENDED

SEC. 621. (38 U. S. C. 822.) (a) Any person entitled to indemnity protection under section 2 of the Servicemen's Indemnity Act of 1951 who is ordered into active service for a period exceeding thirty days, shall, upon application in writing made within one hundred and twenty days after separation from such active service and payment of premiums as hereinafter provided, and without medical examination, be granted insurance by the United States against the death of such person occurring while such insurance is in force. Insurance granted under this section shall be issued upon the same terms and conditions as are contained in the standard policies of national service life insurance on the five-year level premium term plan except (1) [all such insurance may be renewed for successive five-year term periods at the attained ages, but may not be exchanged for or converted to insurance on any other plan;] *such insurance may not be exchanged for or converted to insurance on any other plan*; (2) the premium rates for such insurance shall be based on the Commissioners 1941 Standard Ordinary Table of Mortality and interest at the rate of $2\frac{1}{4}$ per centum per annum; (3) all settlements on policies involving annuities shall be calculated on the basis of The Annuity Table for 1949, and interest at the rate of $2\frac{1}{4}$ per centum per annum; (4) insurance issued hereunder shall be on a nonparticipating basis and all premiums and other collections therefor shall be credited to a revolving fund in the Treasury of the United States and the payments on such term insurance shall be made directly from such fund. Appropriations to such fund are hereby authorized.

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