

# Calendar No. 669

87TH CONGRESS }  
*1st Session* }

SENATE

} REPORT  
No. 693

## NATIONAL SERVICE LIFE INSURANCE AND INCREASED COMPENSATION RATES

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AUGUST 9 (legislative day, AUGUST 8), 1961.—Ordered to be printed

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Mr. BYRD of Virginia, from the Committee on Finance, submitted  
the following

### R E P O R T

[To accompany H.R. 856]

The Committee on Finance, to whom was referred the bill (H.R. 856) to amend section 704 of title 38, United States Code, to permit the conversion or exchange of policies of national service life insurance to a new modified life plan, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

#### I. PURPOSE OF HOUSE-PASSED BILL

Effective July 1, 1962, this bill provides for a new type of permanent plan national service life insurance which will be offered primarily to World War II term-policy holders as a substitute for their present term policies.

This bill is designed primarily to alleviate the coming problem of the World War II term insurance policyholders. In 20 to 25 years, World War II veterans will be in their sixties and seventies, and subject to the same difficulties that World War I veterans now experience with paying the high premiums on their term insurance.

Both the Congress and the executive branch of the Government are keenly aware of the problems of the older veterans who have paid premiums on term insurance for many years and who are now confronted with the unhappy choice of either dropping their term insurance or continuing to pay very high premiums which increase with each 5-year renewal. This bill is designed to solve this problem for World War II and Korean veterans.

## II. PURPOSE OF COMMITTEE AMENDMENTS

The Committee on Finance adopted the following amendments to the House-passed bill:

(1) A new section was added to the bill, the purpose of which is to restore for 2 years after January 1, 1962, the eligibility of veterans who served between October 8, 1940, and April 24, 1951, to apply for national service life insurance. This amendment is identical to Senate bill S. 977, introduced by Senator Long of Louisiana, and similar to amendments proposed by him and passed by the Senate on five previous occasions. An explanation of this amendment follows the general statement on the bill.

(2) The second amendment adopted by the Committee on Finance is identical to the House-passed bill H.R. 879, which seeks to provide increases in the rates of service-connected disability compensation to reflect the changes which have occurred in the cost of living since the last compensation increase in 1957 as well as to more adequately compensate the seriously disabled veterans. It would increase the monthly rates payable to veterans of all wars and peacetime service who have a service-connected disability rated between 10 and 100 percent or who are entitled to receive compensation at one of the higher statutory award rates, which presently run to a maximum of \$450 or as much as \$600 monthly if the veteran is entitled to the \$450 rate, needs regular aid and attendance and is not being cared for in a Veterans' Administration hospital. Also this amendment would increase from 3 to 7 years the presumption of service connection for multiple sclerosis.

## III. GENERAL STATEMENT

The bill provides a new plan of insurance for national service life insurance (NSLI) policyholders. The plan is modified life insurance which provides a level premium throughout the life of the insured but the face value of the policy will be automatically reduced by 50 percent at the end of the day preceding the insured's 65th birthday. The face value of any extended term insurance in force under the modified life policy would also be reduced by 50 percent at that time.

The insured, upon written application, payment of the required premium and without medical examination, may be issued additional insurance on the ordinary life plan to replace the amount of insurance which is reduced on his 65th birthday. Such insurance will be issued at age 65 only and will be based on the same mortality tables and interest rates and have the same guaranteed values and settlement options as the insurance which is reduced. In order to be eligible for such replacement insurance the modified life plan must be in force by payment or waiver of premiums at time of reduction. The application for such additional insurance must be made before the insured's 65th birthday and shall be effective on that day. If the insured is totally disabled and premiums on the modified life plan are being waived or he is entitled to such waiver at the time of the reduction he will be automatically granted insurance equal to the amount of the reduction.

The bill permits NSLI policyholders to convert their term insurance or to exchange their permanent plan insurance for the modified life plan. On participating insurance the premium rates and guaranteed

values on the new plan would be based on the 1958 Commissioners Standard Ordinary Table of Mortality with interest at the rate of 3 percent per annum. That table provides a more realistic up-to-date mortality basis for calculation of premiums than the American Experience Table of Mortality which is almost a century old. The use of the 1958 Commissioners Standard Ordinary Table of Mortality will provide premiums at a lower participating level than the American Experience Table of Mortality. The insurance will continue to be participating but dividends will be considerably lower under the new plan than at present. The basis for calculation of optional settlements on the insurance is not changed.

On nonparticipating insurance the premium rates and guaranteed values on the modified life plan will be based on the same mortality tables and interest rates as the existing insurance with one exception. The premium rates of insurance issued under section 621 of the National Service Life Insurance Act are based on the Commissioners 1941 Standard Ordinary Table of Mortality with interest at the rate of 2¼ percent per annum. Such policyholders can at the present time convert or exchange their term policy for insurance issued under 38 U.S.C. 723(b). The premium rates and guaranteed values of insurance issued under that provision are based on table X-18 (1950-54 Intercompany Table of Mortality) and interest at the rate of 2½ percent per annum. Such insurance is issued at a lower premium rate than insurance under section 621 of the National Service Life Insurance Act. Also the settlement on policies involving annuities under section 723(b) are calculated on the basis of the annuity table for 1949 and interest at the rate of 2½ percent per annum rather than 2¼ percent per annum as under section 621. The bill permits persons holding the section 621 term insurance to convert directly to a modified life plan on the same mortality and annuity tables with the same rate of interest as they would be entitled to had they converted to insurance under section 723(b).

The bill authorizes service-disabled persons who have been issued insurance under 38 U.S.C. 722(a) to convert or exchange their insurance for the modified life plan. It also permits the original issue of insurance on the modified life plan to eligible persons qualifying for insurance under section 722(a).

Your committee, the Veterans' Administration, and veterans' organizations are aware of the problems that arise because of failure on the part of veterans to convert their term policies. There are at the present time World War I USGLI term policyholders in their sixties and seventies who are paying very high premiums because they failed to heed the advice of the Veterans' Administration to convert their term insurance at the younger ages to a permanent plan of insurance. While the number of USGLI term policyholders is not large (around 15,000 of whom 80 percent are age 60 or higher) there are about 3 million NSLI policyholders who are continuing their insurance on a term plan. Your committee is very much concerned with the magnitude of the problem that will develop 20 to 25 years hence as such policyholders attain the advanced ages where term premium rates becomes progressively more burdensome with each renewal.

The modified life plan proposed by the bill will not, of course, fully solve the problem. However, it should help. It is believed that one of the major deterrents to conversion is the difference in cost between

term and permanent plans of insurance. The modified life plan will provide permanent plan insurance at a lower premium rate than the existing permanent plans of insurance. This is true because the protection is cut in half at age 65 and a more realistic table is used for calculation of premiums on participating insurance. A comparison of premiums per \$1,000 of participating insurance is as follows:

Age	Annual premium for the modified life plan	Annual premium present rates		Level premium after age 65	
		5 LPT	OL	If 50 percent face continued	If 100 percent face continued
30.....	\$9.83	\$8.41	\$18.47	\$9.83	\$43.22
35.....	11.72	9.00	21.31	11.72	45.11
40.....	14.09	10.06	25.10	14.09	47.48
45.....	17.17	11.72	30.07	17.17	50.56
50.....	20.84	15.04	36.94	20.84	54.23
55.....	25.22	20.95	46.53	25.22	58.61
65.....		47.00	78.97		

The Veterans' Administration favors enactment of this legislation, as indicated in the following excerpt from the report filed by the Administrator of Veterans' Affairs during the public hearings held on the bill by the Committee on Finance on July 6, 1961.

"It is not known how many NSLI policyholders will convert to or exchange their insurance for the modified life plan under the bill. It is contemplated that all NSLI term policyholders will be notified of their right to convert to the new plan at the time their term insurance has to be renewed. If it is assumed that 300,000 term policyholders convert and 10,000 permanent plan policyholders apply for change of plan the estimated administrative cost to the Department of Insurance for the first 5 years following the effective date of the bill would be as follows:

1st year.....	\$258, 093	4th year.....	\$119, 994
2d year.....	116, 646	5th year.....	185, 090
3d year.....	120, 126		

"Since H.R. 856 will tend to alleviate the problem of the NSLI term policyholders at the older ages, the Veterans' Administration recommends its favorable consideration by your committee.

"The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

"Sincerely,

"J. S. GLEASON, Jr., *Administrator.*"

#### IV. EXPLANATION OF NSLI AMENDMENT

This committee amendment proposes to—

(1) Restore for 2 years after January 1, 1962, the eligibility (in effect prior to April 25, 1951) of veterans who had active service between October 8, 1940, and September 2, 1945, both dates inclusive, for World War II participating national service life insurance.

(2) Authorize for 2 years after January 1, 1962 (and for the first time), the issuance of the same type of postservice participating national service life insurance to veterans who had active service between September 3, 1945, and April 24, 1951, both dates inclusive.

(3) Restore for 2 years after January 1, 1962, the eligibility of persons separated from active service on and after April 25, 1951, and prior to date of enactment of the bill, who have a service-connected disability but are otherwise in good health, for nonparticipating service-disabled veterans insurance.

(4) Provide a 2-year period after January 1, 1962, during which veterans separated from active service on and after April 25, 1951, and prior to January 1, 1957, may be granted nonparticipating national service life insurance on a limited convertible term or permanent plan.

(5) Require that the administrative cost of the insurance granted to persons in the above groups, except the service-disabled veterans, be borne by the insureds by means of (a) reduction in dividends in the participating insurance group and (b) a loading of the premiums in the nonparticipating insurance group.

(6) Provide that a medical examination, when required of an applicant for insurance, other than service-disabled veterans insurance (item (3) above), shall be at the applicant's expense and by a duly licensed physician.

(7) Exclude from eligibility under the bill persons who served (a) before July 1, 1946, in the organized military forces of the Government of the Commonwealth of the Philippines, while such forces were in the service of the Armed Forces of the United States, or (b) in the Philippine Scouts under section 14 of the Armed Forces Voluntary Recruitment Act of 1945. This exclusion would be consistent with the longstanding statutory limitations as to such persons (now in 38 U.S.C. 107).

The right to apply for and be granted national service life insurance was originally limited to persons in the active service on or after October 8, 1940. Public Law 589, 79th Congress, approved August 1, 1946, among other things, amended the National Service Life Insurance Act to provide that any individual who had active service between October 8, 1940, and September 2, 1945, both dates inclusive, could be granted such insurance upon application, payment of premiums, and (with the exception of certain service-disabled persons who applied prior to January 1, 1950) a showing of good health at the time of application. This continued to be the law up to April 25, 1951, at which time the authority to issue insurance to persons in the active service and to persons who served during the indicated period was terminated by Public Law 23, 82d Congress.

Public Law 23, 82d Congress (Servicemen's Indemnity Act of 1951 and Insurance Act of 1951) among other things, provided for the payment of a maximum of \$10,000 free automatic servicemen's indemnity for death in active service, and for the issue of nonparticipating insurance under the National Service Life Insurance Act to persons discharged on or after April 25, 1951. The new postservice insurance was available to two groups. Five-year term insurance (under sec. 621) was authorized for persons who applied therefor

within 120 days after discharge from active service. Insurance on term and permanent plans (under sec. 620) was provided for persons with a service-connected disability if applied for within 1 year from the date service connection is determined by the Veterans' Administration. One of the reasons advanced by the Congress for the enactment of Public Law 23 was the desire to remove the Government from the life insurance business as far as practicable.

Public Law 881, 84th Congress (Servicemen's and Veterans' Survivor Benefits Act), effective January 1, 1957, consolidated the fee of \$10,000 servicemen's indemnity program and the death compensation program into a new death benefit program (dependency and indemnity compensation) and terminated authority to issue post-service term insurance under section 621 of the National Service Life Insurance Act, thus limiting the initial issue of postservice insurance to the service-connected disabled (under sec. 620 of that act).

Although persons who served between October 8, 1940, and September 2, 1945, had 4 or 5 years after discharge from service (up to April 25, 1951) within which to apply for national service life insurance, many failed to either take it out or were forced to let it lapse because of financial difficulties and unemployment during a rehabilitation period. Some veterans did not take advantage of the opportunity to apply for such insurance because at the time of discharge they were not married and had no family responsibilities. The Finance Committee amendment merely provides another period of eligibility for these veterans who served during the periods of October 8, 1940, and September 2, 1945, and September 3, 1945, and April 24, 1951.

Under this amendment the administrative costs to be borne by the insured shall include such costs incurred by the Veterans' Administration as well as costs which may be incurred by other Government agencies such as Departments of the Treasury and Justice. The committee has been advised that the administrative expenses of the Department of Insurance of the Veterans' Administration has averaged about \$4 per policy per year over the past few years. However, it is expected that the declining trend in administrative costs will continue due to improved operating techniques and automatic data processing. A study completed about 7 years ago (House Committee Print No. 55, "Insurance Operations of the Veterans' Administration," May 15, 1953), adjusted because of certain changed conditions, indicates that the additional expense incurred by other Veterans' Administration activities and other Government agencies, properly allocable to insurance administrative cost, would average an added 25 percent. It would therefore appear that the total administrative cost to be charged against dividends or added to the premiums for insurance issued under section 723(b) would, at present, be about \$5 per policy per year. A complete study would have to be made of all expense elements in order to arrive at a current figure of the administrative costs to be charged. Therefore, the committee amendment provides that the period during which applications for insurance may be made is not to begin until after January 1, 1962, so as to allow sufficient time for the Veterans' Administration to complete the cost study and determine the cost factor to be included in the premium.

The Committee on Finance believes that the Veterans' Administration can administer this bill without a material increase in personnel and incurring other additional costs not charged against dividends or

included in the amount of the premium to be paid by the insured. To be certain that this intent is carried out, the amendment directs the Administrator of Veterans' Affairs to file with the Senate Committee on Finance and the House Committee on Veterans' Affairs, at the end of each fiscal year, a detailed report on the cost of the program borne by the insured and any additional expenditures resulting from enactment of this amendment.

This amendment embodies the substance of S. 977, a bill introduced by Senator Long of Louisiana on behalf of himself and 31 other Senators. Substantially identical proposals have been approved by the Committee on Finance and passed by the Senate without a dissenting vote on five previous occasions.

The Senate Committee on Finance held public hearings on S. 977 on July 6, 1961. Among those groups testifying in support of the measure were the American Legion, Veterans of Foreign Wars, AMVETS, and the Disabled American Veterans.

Although the committee is cognizant of objections voiced by the Veterans' Administration, which are directed to the advisability of veterans taking out insurance policies with private insurance companies, the committee has conferred with the Veterans' Administration and the Bureau of the Budget on this issue previously and adheres to its previously expressed position. Most veterans who would be benefited by this measure can be excused for their previous failure to take out their national service life insurance either because of lesser family obligations at the time their service was terminated or lack of financial capacity to pay the premiums at that time. While the privilege of taking out national service life insurance was terminated April 25, 1951, with respect to World War II, a similar privilege was continued after World War I for veterans of that war for a total of 33 years.

DEPARTMENTAL REPORT ON S. 977, A SENATE BILL IDENTICAL WITH  
COMMITTEE NSLI AMENDMENT

VETERANS' ADMINISTRATION,  
*July 5, 1961.*

Hon. HARRY F. BYRD,  
*Chairman, Committee on Finance,*  
*U.S. Senate, Washington, D.C.*

DEAR SENATOR BYRD: The following comments are submitted in response to your request for a report on S. 977, 87th Congress.

The bill proposes to—

(1) Restore for 2 years after January 1, 1962, the eligibility (in effect prior to April 25, 1951) of veterans who had active service between October 8, 1940, and September 2, 1945, both dates inclusive, for World War II participating national service life insurance (NSLI).

(2) Authorize for 2 years after January 1, 1962 (and for the first time), the issuance of the same type of postservice participating NSLI to veterans who had active service between September 3, 1945, and April 24, 1951, both dates inclusive.

(3) Restore for 2 years after January 1, 1962, the eligibility of persons separated from active service on and after April 25, 1951, and prior to date of enactment of the bill, who have a

service-connected disability but are otherwise in good health, for nonparticipating service disabled veterans insurance.

(4) Provide a 2-year period after January 1, 1962, during which veterans separated from active service on and after April 25, 1951, and prior to January 1, 1957, may be granted nonparticipating NSLI on a limited convertible term or permanent plan.

(5) Require that the administrative cost of the insurance granted to persons in the above groups, except the service disabled veterans, be borne by the insureds by means of (a) reduction in dividends in the participating insurance group and (b) a loading of the premiums in the nonparticipating insurance group.

(6) Provide that a medical examination, when required of an applicant for insurance, other than service disabled veterans insurance (item (3) above), shall be at the applicant's expense and by a duly licensed physician.

(7) Exclude from eligibility under the bill persons who served (a) before July 1, 1946, in the organized military forces of the Government of the Commonwealth of the Philippines, while such forces were in the service of the Armed Forces of the United States, or (b) in the Philippine Scouts under section 14 of the Armed Forces Voluntary Recruitment Act of 1945. This exclusion would be consistent with the longstanding statutory limitations as to such persons (now in 38 U.S.C. 107).

(8) Require the Administrator of Veterans' Affairs to submit to the Senate Committee on Finance and the House Committee On Veterans' Affairs, at the end of each fiscal year, a detailed report on additional costs occasioned by issuance of new policies under the bill.

The right to apply for and be granted NSLI was originally limited to persons in the active service on or after October 8, 1940. Public Law 589, 79th Congress, approved August 1, 1946, among other things, amended the NSLI Act to provide that any individual who had active service between October 8, 1940, and September 2, 1945, both dates inclusive, could be granted such insurance upon application, payment of premiums, and (with the exception of certain service-disabled persons who applied prior to January 1, 1950) a showing of good health at the time of application. This continued to be the law up to April 25, 1951, at which time the authority to issue insurance to persons in the active service and to persons who served during the indicated period was terminated by Public Law 23, 82d Congress.

Public Law 23, 82d Congress (Servicemen's Indemnity Act of 1951 and Insurance Act of 1951), among other things, provided for the payment of a maximum of \$10,000 free automatic servicemen's indemnity for death in active service, and for the issue of nonparticipating insurance under the NSLI Act to persons discharged on or after April 25, 1951. The new postservice insurance was available to two groups. Five-year term insurance (under sec. 621) was authorized for persons who applied therefor within 120 days after discharge from active service. Insurance on term and permanent plans (under sec. 620) was provided for persons with a service-connected disability if applied for within 1 year from the date service connection is determined by the Veterans' Administration. One of the reasons ad-



vanced by the Congress for the enactment of Public Law 23 was the desire to remove the Government from the life insurance business as far as practicable.

The question of the extent to which the Government should issue life insurance to persons after discharge from military service was also considered by the 84th Congress. After extensive studies and hearings, Public Law 881 was enacted (Servicemen's and Veterans' Survivor Benefits Act). That law, effective January 1, 1957, consolidated the free \$10,000 servicemen's indemnity program and the death compensation program into a new death benefit program (dependency and indemnity compensation) and terminated authority to issue postservice term insurance under section 621 of the NSLI Act, thus limiting the initial issue of postservice insurance to the service-connected disabled (under sec. 620 of that act).

Persons who served between October 8, 1940, and September 2, 1945, had more than 4 years within which to apply for NSLI after service, in addition to the right to apply at any time during their active service. Further, those persons who were in the active service prior to April 25, 1951, were also eligible to apply for insurance while in such service. Persons separated from service after April 25, 1951, who have a service-connected disability, have had, and will continue to have under existing law (38 U.S.C. 722) a period of 1 year from the date service connection is determined by the Veterans' Administration within which to apply for service disabled veterans insurance. Persons eligible for the veterans special term insurance (except those discharged less than 120 days prior to the cutoff date of January 1, 1957) had a period of 120 days from separation within which to apply.

The bill, if enacted, would make available to World War II veterans, a group approaching their midforties, 5-year term insurance without restriction as to the number of terms such insurance can be renewed. As the committee is well aware, the premiums on 5-year term insurance increase each 5 years at renewal and at the older ages become practically prohibitive. The difficulties of the World War I USGLI term policyholders (now in their sixties and seventies) in paying the very high premiums on renewal of their term insurance are well known. The same difficulties are also now being experienced by certain World War II veterans who entered service in their early forties. The Veterans' Administration is greatly concerned with the magnitude of this problem that will develop 20 to 25 years hence when the bulk of the World War II group attains the advanced ages where term premium rates become progressively more burdensome with each renewal.

The concern of the Congress with the term insurance problem of increasing premiums with each renewal is demonstrated by Public Law 85-896, approved September 2, 1958. That act authorized for the first time conversion of the veterans special term insurance issued within 120 days after discharge to Korean conflict veterans under section 621 of the NSLI Act. It encouraged conversion by providing for insurance on a new and lower premium paying basis. Also, the term insurance issued on the new basis cannot be renewed after the insured's 50th birthday.

This term insurance problem was also considered by the 86th Congress. H.R. 11045, if enacted, would have provided a new permanent plan of NSLI designated as a "modified life plan," primarily

for the benefit of World War II term policyholders. The premium rates on the new modified life plan would be much lower than on existing permanent plans because the insurance protection would be reduced by one-half at age 65. H.R. 11045 passed both the House and the Senate during the 86th Congress. However, it was amended in the Senate by the addition of an amendment, similar in purpose to this bill, to reopen NSLI to veterans for 1 year. The amended bill failed of passage in the House. In the present Congress the House passed on March 6, 1961, H.R. 856, a bill similar to H.R. 11045, 86th Congress, prior to the mentioned amendment. H.R. 856 is now pending before your committee and its enactment is favored by the Veterans' Administration.

Under the bill in its present form the period during which applications for insurance may be made would begin immediately after January 1, 1962. If favorably considered it is strongly recommended that the bill be amended to extend the opening date for such period to 1 year after the date of enactment. The Veterans' Administration would need about 1 year in which to prepare for the workload which the bill would create. This time would be needed to recruit and train additional personnel; prepare and print applications, forms, and policies; obtain additional mechanical equipment; reprogram our automatic data processing system; prepare and print procedures; and make a new study of the current administrative cost in order to establish premium rates for the nonparticipating policies to be issued to nondisabled veterans. (The date January 1, 1964, in the proposed subsec. 725(c) should be changed accordingly.)

It is assumed that it is intended to include in the administrative costs to be borne by the insureds such costs incurred by the Veterans' Administration as well as costs which may be incurred by other Government agencies such as the Departments of the Treasury and Justice. The administrative expenses of our Department of Insurance have averaged about \$4 per policy per year over the past few years. A study completed about 8 years ago (House Committee Print No. 55, "Insurance Operations of the Veterans' Administration," May 15, 1953), adjusted because of certain changed conditions, indicates that the additional expense incurred by other Veterans' Administration activities and other Government agencies, properly allocable to insurance administrative cost, would average an added 25 percent. It would therefore appear that the total administrative cost to be charged against dividends or added to the premiums for insurance issued under section 723(b) would, at present, be about \$5 per policy per year. However, if the bill is enacted a complete study would have to be made of all expense elements in order to arrive at a current figure of the administrative costs to be charged.

The cost of the bill, if enacted, would depend upon the number of applications received and the number of policies issued thereunder. We are not able to furnish a reliable estimate of cost in view of these unknown factors. However, there are approximately 16 million veterans who would be eligible to apply for insurance under the bill. The cost of the bill, if enacted, to the Veterans' Administration is based upon an arbitrary assumption of 1 million applications, together with the additional assumptions that (1) the bill will be amended to extend the beginning date of the 2-year period, and (2) three-fourths of the applications will be processed the first year and one-fourth the

second year. If the bill is not amended as recommended the administrative cost will be increased. Also, if the number of applications received total 2 million or 5 million the cost will, of course, increase accordingly.

It should be noted that while certain policyholders under the bill will bear the administrative costs of their insurance, the amount of such costs will be transferred each year to the general fund receipts in the Treasury. Accordingly, enactment of the bill will require additional annual appropriations for the general operating expenses of the Veterans' Administration.

Experience to date indicates that insurance issued to nondisabled veterans under section 621 of the NSLI Act is self-supporting but that insurance issued to service disabled veterans under section 620 of that act (now 38 U.S.C. 722(a)) is not. A loss on the latter insurance has averaged about \$90 per policy per year. Hence, the Government will be required to bear the excess cost of claims above income from premiums on the service disabled veterans insurance issued under the bill. If it is assumed that out of each 1 million applications for all types of insurance under the bill about 1,600 policies of service disabled insurance will be issued, it is estimated that the excess claim cost on such insurance would be about \$54,000 for the first year following the start of operations under the bill, about \$126,000 for the second year, and about \$144,000 for each of the next 3 years.

On participating insurance issued under the bill the Government will be required to bear the excess mortality cost, the cost of waiver of premiums, and the cost of the total disability income benefits arising from death or total disability, traceable to the extra hazard of military or naval service. If 1 million applications are received, it is assumed that 725,000 policies of participating insurance will be issued; that the average face amount of such policies will be \$6,500; and that 2 percent of future claims on such insurance will be traceable to the extra hazards of service. On this basis it is estimated that such extra hazard cost to the Government will be \$75,000 for the first year, \$175,000 for the second year, and \$200,000 for each of the next 3 years,

The following summary of the estimated cost of the bill, if enacted, to the Veterans' Administration for the first 5 years of operations thereunder is based upon all of the above-mentioned assumptions. As indicated, if the numbers of applications received and policies issued are greater than assumed above, the cost will, of course, increase accordingly.

	Service-disabled benefit cost	Extra hazard cost	Administrative cost	Total cost
1st year.....	\$54,000	\$75,000	\$7,123,100	\$7,252,100
2d year.....	126,000	175,000	5,638,100	5,939,100
3d year.....	144,000	200,000	3,747,400	4,091,400
4th year.....	144,000	200,000	3,043,500	3,387,500
5th year.....	144,000	200,000	2,894,000	3,238,000

The policy of the executive branch and the Congress in recent years has been to reduce, to the extent feasible, commercial-type activities of the Federal Government. In the field of Government insurance for servicemen and veterans, this policy has found expression, as previously pointed out, in the enactment of Public Law 23 in 1951 and

Public Law 881 in 1956. Accordingly, I do not recommend favorable consideration of the proposed legislation by your committee.

The Bureau of the Budget advises that it strongly recommends against enactment of the bill and that there is no objection to the submission of this report to your committee.

Sincerely,

J. S. GLEASON, Jr., *Administrator.*

## V. EXPLANATION OF INCREASED COMPENSATION AMENDMENT

The exact percentage increases for various degrees of disability and for those eligible to receive statutory awards under this committee amendment appear in the following table, along with estimates of cost:

TABLE I.—*Compensation for service-connected disabled veterans*

Degree and paragraph	Cases, wartime	Cases, peacetime	Current wartime rate	H. R. 879 as reported	Percent of increase, H. R. 879 as reported, over current rate	Current peacetime rate	H. R. 879 as reported, peacetime rate	Total costs, H. R. 879 as reported
10(a)-----	752,739	47,724	\$19	\$20	5.3	\$15	\$16	\$9,605,556
20(b)-----	285,824	14,410	36	38	5.6	29	30	7,032,696
30(c)-----	271,120	15,985	55	58	5.5	44	46	10,143,960
40(d)-----	157,989	6,866	73	77	5.5	58	62	7,913,040
50(e)-----	105,202	4,885	100	106	6.0	80	85	7,867,644
60(f)-----	82,416	4,090	120	127	5.8	96	102	7,217,424
70(g)-----	41,203	2,180	140	148	5.7	112	118	4,112,448
80(h)-----	25,261	1,010	160	169	5.6	128	135	2,813,028
90(i)-----	7,122	190	179	190	6.1	143	152	960,624
100(j)-----	74,987	9,626	225	245	8.9	180	196	19,845,072
(l)-----	2,775	292	309	335	8.4	247	268	939,384
(m)-----	2,094	295	359	385	7.2	287	308	727,688
(n)-----	377	16	401	435	8.5	321	348	159,000
(o)-----	142	45	450	500	11.1	360	400	106,800
(p)-----	2,194	160						1,393,200
(o)+(r)-----	3,085	705	159(600)	200(700)	16.7	480	560	4,378,800
(s)-----	10,600	900	265	285	7.5	212	228	2,716,800
Total-----								87,933,144

(k) Anatomical loss, or loss of use of a creative organ, or 1 foot, or 1 hand, or both buttocks, or blindness of 1 eye, having only light perception, rates (a) to (j) increased monthly by \$47 additional to basic compensation paid monthly for veteran with these disabilities; (*this \$47 rate unchanged*).

Anatomical loss, or loss of use of a creative organ, or 1 foot, or 1 hand, or both buttocks, or blindness of 1 eye, having only light perception, in addition to requirement for any of rates in (l) to (n), rate increased monthly for each loss or loss of use by \$47 additional to basic compensation paid monthly for veteran with these disabilities; (*this \$47 rate unchanged*).

(l) Anatomical loss, or loss of use of both hands, or both feet, or 1 hand and 1 foot, or blind both eyes with 5/200 visual acuity or less, or is permanently bedridden or so helpless as to be in need of regular aid and attendance, monthly compensation.

(m) Anatomical loss, or loss of use of 2 extremities at a level, or with complications, preventing natural elbow or knee action with prosthesis in place or has suffered blindness in both eyes having only light perception, or has suffered blindness in both eyes, rendering him so helpless as to be in need of regular aid and attendance, monthly compensation.

(n) Anatomical loss of 2 extremities so near shoulder or hip as to prevent use of prosthetic appliance, or suffered anatomical loss of both eyes, monthly compensation.

(o) Suffered disability under conditions which would entitle him to 2 or more rates in (l) to (n), no condition being considered twice, or suffered total deafness in combination with total blindness with 5/200 visual acuity or less, monthly compensation.

(p) In event disabled person's service-incurred disabilities exceed requirements for any of rates prescribed, Administrator, in his discretion, may allow next higher rate, or intermediate rate, but in no event in excess of \$450.

(q) Minimum rate for arrested tuberculosis. (*This \$67 monthly rate is unchanged.*)

(r) If entitled to compensation under (o), or the maximum rate under (p), and in need of regular aid and attendance, while not hospitalized at Government expense, additional monthly aid and attendance allowance.

(s) If totally disabled and (l) has additional disability independently rated at 60 percent or more, or, (2) is permanently housebound.



Since the last compensation increase in 1957 there has occurred a 5.4-percent increase in the cost of living. This committee amendment provides increases ranging from 5.3 percent to 8.9 percent in the disability compensation rates payable to veterans disabled 10 to 100 percent. For those veterans receiving or entitled to receive one of the statutory award rates other than (k) or (q), the increases range from 7.5 to 16.7 percent. The overall average increase provided by the bill is approximately 9.2 percent. All of the rates for service-connected compensation have been increased with the exceptions noted above of the statutory award rate of \$47 a month, which is in addition to the basic rates of compensation. Inasmuch as all veterans who are entitled to receive this statutory rate will be benefited by the bill by an increase in the basic rate, the committee felt fully justified in taking the action indicated.

The rate for arrested tuberculosis of \$67 a month remains unchanged since the committee believes this is a reasonable rate and the provisions affecting veterans who have service-connected cases of tuberculosis are unusually liberal under existing law. It should be pointed out in this connection that World War I veterans had a presumption of service connection if they contracted tuberculosis any time prior to January 1, 1925—a period of approximately 7 years from the end of the war. World War II and Korean veterans have, in comparison, a 3-year period from the date of discharge in which they are presumed to have contracted the disease in the service. This, too, in view of modern medical practices, is very liberal. In addition, it should be pointed out that under section 356, title 38, United States Code, any veteran who has a service-connected case of tuberculosis, after he has reached a condition of complete arrest, is rated as totally disabled for a period of 2 years following such date of arrest and as 50 percent disabled for an additional period of 4 years, and 30 percent disabled for a further period of 5 years. Since the \$67 a month rate is more than the 30-percent rate of \$55, the veteran receives the \$67 rate in lieu thereof and this is a payment which is made for life. Also, it needs to be pointed out that at any time the veteran's condition results in a recurrence of tuberculosis, he is immediately rated as totally disabled and the whole reduction formula described above starts again as if it were a new case. This is pointed out to indicate that veterans in this category are already receiving liberal treatment and in sharp distinction to other diseases and disabilities.

The committee has adhered to the policy first started in the 82d Congress when Public Law 356 was enacted and granted to those veterans less than 50-percent disabled a 5-percent increase while increasing the rates for those 50 percent or more disabled by 15 percent. The committee in subsequent Congresses has adhered to this practice of paying the more seriously disabled veterans higher rates of compensation than those less seriously impaired.

This amendment is identical to the bill H.R. 879 as approved by the House of Representatives on June 5, 1961. That act, however, was amended in the Committee on Finance so as to make the proposed increases comply with the recommendation of the President. The House-passed bill proposed an increase in monthly compensation of \$1 for the 10-percent disabled, \$2 for the 20-percent disabled, and \$3 for the 30-percent disabled; whereas the bill as amended by the Committee on Finance provided a monthly increase of \$0.50 for the 10-

percent disabled, \$1 for the 20-percent disabled, and \$2 for the 30-percent disabled. The bill as amended by the Committee on Finance passed the Senate on July 17, 1961, and is now awaiting action by the House on this and other adopted Senate amendments.

The second part of this amendment provides that veterans who are receiving the statutory award of \$450 and also additional compensation of \$150 while not in a hospital, will have their compensation continued until the first day of the second month which begins after they are hospitalized. Inasmuch as it costs the Veterans' Administration approximately \$25 a day to hospitalize each patient in a general medical and surgical hospital, and more for those veterans who are in the paraplegic class, it is obvious that the payment of this additional compensation, in lieu of furnishing hospital care, is, in effect, a saving to the Government. It seems reasonable to the committee and also good medical practice to permit these badly disabled service-connected cases to report to a hospital whenever they are in need of care without suffering a financial loss. Even at these rather liberal rates, many paralyzed veterans experience difficulty in making ends meet, since some require 24-hour care in their home and must pay out sizable amounts to individuals employed to take care of them.

This provision had its origin in H.R. 3350. This latter bill, as originally introduced, provided that this allowance would be discontinued (a) on admission for hospitalization if at that time the prognosis of his case indicated it was likely he would be hospitalized for 60 days or more, or (b) the first day of the third calendar month following the month of admission in all other cases. Your committee amendment provides that it will only be discontinued from the first day of the second calendar month which begins after the day of his admission. If the veteran leaves the hospital against medical advice and is thereafter readmitted, the allowance during this period of hospitalization shall be discontinued from the date of such readmission for so long as that hospitalization continues.

Another provision in this committee amendment, identical with section 3 of H.R. 879 as passed by the House of Representatives, proposes to increase from 3 to 7 years the period after service during which multiple sclerosis first becoming manifest may be presumed to be service connected. On the recommendation of the Veterans' Administration and the Bureau of the Budget, this section of H.R. 879 was deleted from the bill as approved by the Committee on Finance and passed by the Senate. The Committee on Finance has now reconsidered this proposal and approved it.

For the information of the Senate, the following portion of the Veterans' Administration report relating to multiple sclerosis is printed below:

"Section 3 of the bill would extend from 3 to 7 years from date of separation from active wartime service the period during which multiple sclerosis becoming manifest to a degree of 10 percent or more shall, subject to rebuttal, be considered as having been incurred in or aggravated by such service. All chronic diseases, except multiple sclerosis, tuberculosis (3 years), and Hansen's disease (3 years) are limited to a 1-year presumptive period in wartime cases.

"Under existing law, direct service connection may be granted for chronic and tropical diseases which do not

become manifest within the statutory presumptive periods when the evidence of record is deemed adequate to warrant a finding of service connection. In such cases, under the directive originally contained in Public Law 361, 77th Congress, December 20, 1941 (now 38 U.S.C. 354), 'where a veteran is seeking service connection for any disability due consideration shall be given to the places, types, and circumstances of his service as shown by his service record, the official history of each organization in which he served, his medical records, and all pertinent medical and lay evidence.'

"Existing law further provides:

" 'In the case of any veteran who engaged in combat with the enemy in active service with a military, naval, or air organization of the United States during a period of war, campaign, or expedition, the Administrator shall accept as sufficient proof of service connection of any disease or injury alleged to have been incurred in or aggravated by such service satisfactory lay or other evidence of service inurrence or aggravation of such injury or disease, if consistent with the circumstances, conditions, or hardships of such service, notwithstanding the fact that there is no official record of such inurrence or aggravation in such service, and, to that end, shall resolve every reasonable doubt in favor of the veteran. Service connection of such injury or disease may be rebutted by clear and convincing evidence to the contrary. \* \* \*'

"From a medical viewpoint, present provision of the law and regulations on this subject are considered quite liberal, and ample provision is made for those diseases that have a long incubation period. In addition, there are administrative provisions whereby chronic diseases generally incurred within a reasonable time after the present presumptive period following military service can be and are handled on an individual basis where there is a likelihood that the condition or disease had its inception during military service. Accordingly, the Veterans' Administration is opposed to section 3 of H.R. 879."

The increased benefits provided in this amendment shall be effective on the first day of the second calendar month which begins after date of enactment and assures that no payments will be made by reason of the act for any period before such effective date.

#### 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 italic; existing law in which no change is proposed is shown in roman):



## TITLE 38 OF THE UNITED STATES CODE

## § 704. Plans of insurance

(a) 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.

(b) *Under such regulations as the Administrator may promulgate a policy of participating insurance may be converted to or exchanged for insurance issued under this subsection on a modified life plan. Insurance issued under this subsection shall be on the same terms and conditions as the insurance which it replaces, except (1) the premium rates for such insurance shall be based on the 1958 Commissioners Standard Ordinary Table of Mortality and interest at the rate of 3 per centum per annum; (2) all cash, loan, paid-up, and extended values shall be based on the 1958 Commissioners Standard Ordinary Table of Mortality and interest at the rate of 3 per centum per annum; and (3) at the end of the day preceding the sixty-fifth birthday of the insured the face value of the modified life insurance policy or the amount of extended term insurance thereunder shall be automatically reduced by one-half thereof, without any reduction in premium.*

(c) *Under such regulations as the Administrator may promulgate, a policy of nonparticipating insurance may be converted to or exchanged for insurance issued under this subsection on a modified life plan. Insurance issued under this subsection shall be on the same terms and conditions as the insurance which it replaces, except that (1) term insurance issued under section 621 of the National Service Life Insurance Act of 1940 shall be deemed for the purposes of this subsection to have been issued under section 723(b) of this title; and (2) at the end of the day preceding the sixty-fifth birthday of the insured the face value of the modified life insurance policy or the amount of extended term insurance thereunder shall be automatically reduced by one-half thereof, without any reduction in premium. Any person eligible for insurance under section 722(a) of this title may be granted a modified life insurance policy under this subsection which, subject to exception (2) above, shall be issued on the same terms and conditions specified in section 722(a).*

(d) *Any insured whose modified life insurance policy is in force by payment or waiver of premiums on the day before his sixty-fifth birthday may upon written application and payment of premiums made before such birthday be granted National Service Life Insurance, on an ordinary life plan, without physical examination, in an amount of not less than \$500, in multiples of \$250, but not in excess of one-half of the face amount of the modified life insurance policy in force on the day before his sixty-fifth birthday. Insurance issued under this subsection shall be effective on the sixty-fifth birthday of the insured. The premium rate, cash, loan, paid-up, and extended values on the ordinary life insurance issued under this subsection shall be based on the same mortality tables and interest rates as the insurance issued under the modified life policy. Settlements*

*on policies involving annuities on insurance issued under this subsection shall be based on the same mortality or annuity tables and interest rates as such settlements on the modified life policy. If the insured is totally disabled on the day before his sixty-fifth birthday and premiums on his modified life insurance policy are being waived under section 712 of this title or he is entitled on that date to waiver under such section he shall be automatically granted the maximum amount of insurance authorized under this subsection and premiums on such insurance shall be waived during the continuous total disability of the insured.*

## CHAPTER 19—INSURANCE

### Subchapter I—National Service Life Insurance

\* \* \* \* \*

#### § 725. *Limited period for acquiring insurance*

(a) (1) *Any person heretofore eligible to apply for participating national service life insurance between October 8, 1940, and April 24, 1951, both dates inclusive, shall, upon application made in writing within two years after January 1, 1962, submission of evidence satisfactory to the Administrator showing such person to be in good health at the time of such application, and payment of the required premiums, be granted insurance under the same terms and conditions as are contained in standard participating policies of national service life insurance.*

(2) *All premiums paid and other income received on account of national service life insurance granted under the authority contained in this subsection and on any total disability income provision which may be attached thereto shall be segregated in the national service life insurance fund and, together with interest earned thereon, shall be available for the payment of liabilities under such life and disability insurance.*

(3) *Notwithstanding the provisions of section 782 of this title the Administrator shall determine annually the administrative costs which in his judgment are properly allocable to such life and disability insurance and shall thereupon transfer the amount of such costs from any surplus otherwise available for dividends on such life and disability insurance from the national service life insurance fund to the general fund receipts in the Treasury. The Administrator of Veterans' Affairs is directed to submit to the Senate Committee on Finance and the House Committee on Veterans' Affairs, at the end of each fiscal year, a detailed report on additional costs occasioned by issuance of new policies under this section.*

(b) *Any person heretofore eligible to apply for insurance under section 620 of the National Service Life Insurance Act of 1940, as amended, or subsection (a) of section 722 of this title, shall, notwithstanding any time limitation for filing application for insurance contained in such sections, upon application made in writing within two years after January 1, 1962, be granted insurance under subsection (a) of section 722 of this title, subject to the other limitations and conditions applicable to such insurance.*

(c) *Any person heretofore eligible to apply for insurance under section 621 of the National Service Life Insurance Act of 1940, as amended, shall, upon application in writing made within two years after January 1, 1962, and submission of evidence satisfactory to the Administrator showing such person to be in good health at the time of such application*

and payment of the required premiums, be granted insurance under subsection (b) of section 723 of this title subject to the limitations and conditions applicable to such insurance, except that (1) until January 1, 1964, limited convertible term insurance may be issued but not renewed after the applicant's fiftieth birthday, and (2) the premiums charged for such insurance and for any total disability income provision which may be attached thereto shall include an additional amount for administrative costs as determined and fixed by the Administrator at the time of issue. The Administrator is authorized to transfer annually an amount representing such administrative costs from the revolving fund to the general fund receipts in the Treasury.

(d) Notwithstanding the provisions of section 782 of this title, a medical examination when required of an applicant for issuance of insurance under subsection (a) or (c) of this section shall be at his own expense by a duly licensed physician.

(e) No insurance shall be granted under this section to any person referred to in section 107 of this title.

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## CHAPTER 11—COMPENSATION FOR SERVICE-CONNECTED DISABILITY OR DEATH

\* \* \* \* \*

### Subchapter II—Wartime Disability Compensation

#### § 310. Basic entitlement

For disability resulting from personal injury suffered or disease contracted in line of duty, or for aggravation of a preexisting injury suffered or disease contracted in line of duty, in the active military, naval, or air service, during a period of war, the United States will pay to any veteran thus disabled and who was discharged or released under conditions other than dishonorable from the period of service in which said injury or disease was incurred, or preexisting injury or disease was aggravated, compensation as provided in this subchapter, but no compensation shall be paid if the disability is the result of the veteran's own willful misconduct.

#### § 311. Presumption of sound condition

For the purposes of section 310 of this title, every veteran shall be taken to have been in sound condition when examined, accepted, and enrolled for service, except as to defects, infirmities, or disorders noted at the time of the examination, acceptance, and enrollment, or where clear and unmistakable evidence demonstrates that the injury or disease existed before acceptance and enrollment and was not aggravated by such service.

#### § 312. Presumptions relating to certain diseases

For the purposes of section 310 of this title, and subject to the provisions of section 313 of this title, in the case of any veteran who served for ninety days or more during a period of war—

- (1) a chronic disease becoming manifest to a degree of 10 per centum or more within one year from the date of separation from such service;

(2) a tropical disease, and the resultant disorders or disease originating because of therapy, administered in connection with such diseases, or as a preventative thereof, becoming manifest to a degree of 10 per centum or more within one year from the date of separation from such service, or at a time when standard or accepted treatises indicate that the incubation period thereof commenced during such service;

(3) active tuberculous disease developing a 10 per centum degree of disability or more within three years from the date of separation from such service;

(4) multiple sclerosis developing a 10 per centum degree of disability or more within ~~three~~ *seven* years from the date of separation from such service;

(5) Hansen's disease developing a 10 per centum degree of disability or more within three years from the date of separation from such service;

shall be considered to have been incurred in or aggravated by such service, notwithstanding there is no record of evidence of such disease during the period of service.

### § 313. Presumptions rebuttable

(a) Where there is affirmative evidence to the contrary, or evidence to establish that an intercurrent injury or disease which is a recognized cause of any of the diseases within the purview of section 312 of this title, has been suffered between the date of separation from service and the onset of any such diseases, or the disability is due to the veteran's own willful misconduct, service connection pursuant to section 312 of this title will not be in order.

(b) Nothing in section 312 of this title or subsection (a) of this section shall be construed to prevent the granting of service-connection for any disease or disorder otherwise shown by sound judgment to have been incurred in or aggravated by active military, naval, or air service.

### § 314. Rates of wartime disability compensation

For the purposes of section 310 of this title—

(a) if and while the disability is rated 10 per centum the monthly compensation shall be ~~[\$19]~~ \$20;

(b) if and while the disability is rated 20 per centum the monthly compensation shall be ~~[\$36]~~ \$38;

(c) if and while the disability is rated 30 per centum the monthly compensation shall be ~~[\$55]~~ \$58;

(d) if and while the disability is rated 40 per centum the monthly compensation shall be ~~[\$73]~~ \$77;

(e) if and while the disability is rated 50 per centum the monthly compensation shall be ~~[\$100]~~ \$106;

(f) if and while the disability is rated 60 per centum the monthly compensation shall be ~~[\$120]~~ \$127;

(g) if and while the disability is rated 70 per centum the monthly compensation shall be ~~[\$140]~~ \$148;

(h) if and while the disability is rated 80 per centum the monthly compensation shall be ~~[\$160]~~ \$169;

(i) if and while the disability is rated 90 per centum the monthly compensation shall be ~~[\$179]~~ \$190;

(j) if and while the disability is rated as total the monthly compensation shall be ~~[\$225]~~ \$245;

(k) if the veteran, as the result of service-connected disability, has suffered the anatomical loss or loss of use of a creative organ, or one foot, or one hand, or both buttocks, or blindness of one eye, having only light perception, the rate of compensation therefor shall be \$47 per month independent of any other compensation provided in subsections (a) through (j) of this section; and in the event of anatomical loss or loss of use of a creative organ, or one foot, or one hand, or both buttocks, or blindness of one eye, having only light perception, in addition to the requirement for any of the rates specified in subsections (l) through (n) of this section, the rate of compensation shall be increased by \$47 per month for each such loss or loss of use, but in no event to exceed ~~[\$450]~~ \$500 per month;

(l) if the veteran, as the result of service-connected disability, has suffered the anatomical loss or loss of use of both hands, or both feet, or of one hand and one foot, or is blind in both eyes, with 5/200 visual acuity or less, or is permanently bedridden or so helpless as to be in need of regular aid and attendance, the monthly compensation shall be ~~[\$309]~~ \$335;

(m) If the veteran, as the result of service-connected disability, has suffered the anatomical loss or loss of use of two extremities at a level, or with complications, preventing natural elbow or knee action with prosthesis in place, or has suffered blindness in both eyes having only light perception, or has suffered blindness in both eyes, rendering him so helpless as to be in need of regular aid and attendance, the monthly compensation shall be ~~[\$359]~~ \$385;

(n) if the veteran, as the result of service-connected disability, has suffered the anatomical loss of two extremities so near the shoulder or hip as to prevent the use of a prosthetic appliance or has suffered the anatomical loss of both eyes, the monthly compensation shall be ~~[\$401]~~ \$435;

(o) if the veteran, as the result of service-connected disability, has suffered disability under conditions which would entitle him to two or more of the rates provided in one or more subsections (l) through (n) of this section, no condition being considered twice in the determination, or has suffered total deafness in combination with total blindness with 5/200 visual acuity or less, the monthly compensation shall be ~~[\$450]~~ \$500;

(p) in the event the veteran's service-connected disabilities exceed the requirements for any of the rates prescribed in this section, the Administrator, in his discretion, may allow the next higher rate or an intermediate rate, but in no event in excess of ~~[\$450]~~ \$500; and

(q) If the veteran is shown to have had a service-connected disability resulting from an active tuberculous disease, which disease in the judgment of the Administrator has reached a condition of complete arrest, the monthly compensation shall be not less than \$67.

(r) If any veteran, otherwise entitled to the compensation authorized under subsection (o), or the maximum rate authorized under subsection (p), is in need of regular aid and attendance, he shall be paid, in addition to such compensation, a monthly aid and attendance allowance at the rate of ~~[\$150]~~ \$200 per month

【for all periods during which he is not hospitalized at Government expense】, *subject to the limitations of section 3203(f) of this title.* For the purposes of section 334 of this title, such allowance shall be considered as additional compensation payable for disability.

(s) If the veteran has a service-connected disability rated as total, and (1) has additional service-connected disability or disabilities independently ratable at 60 per centum or more, or, (2) by reason of his service-connected disability or disabilities, is permanently housebound, then the monthly compensation shall be ~~【\$265】~~ \$285. For the purpose of this subsection, the requirement of "permanently housebound" will be considered to have been met when the veteran is substantially confined to his house (ward or clinical areas, if institutionalized) or immediate premises due to a service-connected disability or disabilities which it is reasonably certain will remain throughout his lifetime.

\* \* \* \* \*

### § 3203. Hospitalized veterans and estates of incompetent institutionalized veterans

(a)(1) Where any veteran having neither wife, child, nor dependent parent is being furnished hospital treatment, institutional or domiciliary care by the Veterans' Administration any compensation or retirement pay otherwise payable shall continue without reduction until the first day of the seventh calendar month following the month of admission of such veteran for treatment or care. If treatment or care extends beyond that period, the compensation or retirement pay, if \$30 per month or less, shall continue without reduction, but if greater than \$30 per month, the compensation or retirement pay shall not exceed 50 per centum of the amount otherwise payable or \$30 per month, whichever is the greater. If such veteran is discharged from such treatment or care upon certification by the officer in charge of the hospital, institution, or home, that maximum benefits have been received or that release is approved; he shall be paid in a lump sum such additional amount as would equal the total sum by which his compensation or retirement pay has been reduced under this section. If treatment or care is terminated by the veteran against medical advice or as the result of disciplinary action the amount by which any compensation or retirement pay is reduced hereunder, shall be paid to him at the expiration of six months after such termination or, in the event of his prior death, as provided in paragraph (2) of this subsection; and the compensation or retirement pay of any veteran leaving against medical advice or as the result of disciplinary action shall, upon a succeeding readmission for treatment or care, be subject to reduction, as herein provided, from the date of such readmission, but if such subsequent treatment or care is continued until discharged therefrom upon certification, by the officer in charge of the hospital, institution, or home in which treatment or care was furnished, that maximum benefits have been received or that release is approved, the veteran shall be paid in a lump sum such additional amount as would equal the total sum by which his compensation or retirement pay has been reduced under this section after such readmission.

(2)(A) In the event of the death of any veteran subject to the provision of this section, while receiving hospital treatment, institutional

or domiciliary care, or before payment of any lump sum authorized herein, such lump sum shall be paid in the following order of precedence: First, to the spouse; second, if the decedent left no spouse, or if the spouse is dead at time of settlement, then to the children (without regard to their age or marital status) in equal parts; third, if no spouse or child, then to the father and mother in equal parts; fourth, if either the father or mother is dead, then to the one surviving; fifth, if there is no spouse, child, father, or mother at the time of settlement, then to the brothers and sisters in equal parts. If there are no persons in the classes named to whom payment may be made under this paragraph, no payment shall be made, except there may be paid only so much of the lump sum as may be necessary to reimburse a person who bore the expenses of last sickness or burial, but no part of the lump sum shall be used to reimburse any political subdivision of the United States for expenses incurred in the last sickness or burial of such veteran.

(B) No payment shall be made under the last two sentences of section 3202(d) of this title or under this paragraph (2) unless claim therefor is filed with the Veterans' Administration within five years after the death of the veteran, except that, if any person so entitled under the last two sentences of section 3202(d) of this title or under this paragraph is under legal disability at the time of death of the veteran, such five-year period of limitation shall run from the termination or removal of the legal disability.

(b)(1) Where any veteran having neither wife, child, nor dependent parent is being furnished hospital treatment, institutional or domiciliary care by the Veterans' Administration, and is rated by the Veterans' Administration in accordance with regulations as being incompetent by reason of mental illness, the compensation or retirement pay of such veteran shall be subject to the provisions of subsection (a) of this section; however, no payment of a lump sum herein authorized shall be made to the veteran until after the expiration of six months following a finding of competency and in the event of the veteran's death before payment of such lump sum no part thereof shall be payable.

(2) In any case in which such an incompetent veteran having neither wife nor child is being furnished hospital treatment, institutional or domiciliary care without charge or otherwise by the United States, or any political subdivision thereof, and his estate from any source equals or exceeds \$1,500, further payments of pension, compensation, or emergency officers' retirement pay shall not be made until the estate is reduced to \$500. The amount which would be payable but for this paragraph shall be paid to the veteran as provided for the lump sum in paragraph (1) of this subsection, but in the event of the veteran's death before payment of such lump sum no part thereof shall be payable.

(3) Where any benefit is discontinued by reason of paragraph (2) of this subsection the Administrator may nevertheless apportion and pay to the dependent parents of the veteran on the basis of need all or any part of the benefit which would otherwise be payable to or for such incompetent veteran. Paragraph (2) of this subsection shall not prevent the payment, out of any remaining amounts discontinued under that paragraph, on account of any veteran of so much of his pension, compensation, or retirement pay as equals the amount

charged to the veteran for his current care and maintenance in the institution in which treatment or care is furnished him, but not more than the amount determined by the Administrator to be the proper charge as fixed by any applicable statute or valid administrative regulation.

(4) All or any part of the pension, compensation, or retirement pay payable on account of any incompetent veteran who is being furnished hospital treatment, institutional or domiciliary care may, in the discretion of the Administrator, be paid to the chief officer of the institution wherein the veteran is being furnished such treatment or care, to be properly accounted for by such chief officer and to be used for the benefit of the veteran.

(c) Any veteran subject to the provisions of subsection (a) or (b) shall be deemed to be single and without dependents in the absence of satisfactory evidence to the contrary. In no event shall increased compensation, pension, or retirement pay of such veteran be granted for any period more than one year before receipt of satisfactory evidence showing such veteran has a wife, child, or dependent parent.

(d)(1) Where any veteran is being furnished hospital treatment, institutional, or domiciliary care by the Veterans' Administration, no pension in excess of \$30 per month shall be paid to or for the veteran for any period after (a) the end of the second full calendar month following the month of admission for treatment or care or (b) re-admission for treatment or care within six months following termination of a period of treatment or care of not less than two full calendar months.

(2) Where the payment of pension to any veteran is subject to the provisions of paragraph (1) of this subsection the Administrator may apportion and pay to his wife or children the balance of the pension which the veteran would receive but for such paragraph (1).

(e) Notwithstanding any other provision of this section or any other provision of law, no reduction shall be made in the pension, compensation, or retirement pay of any veteran for any part of the period during which he is furnished hospital treatment, or institutional or domiciliary care, for Hansen's disease, by the United States or any political subdivision thereof.

(f) *Where any veteran in receipt of an aid and attendance allowance described in section 314(r) of this title is hospitalized at Government expense, such allowance shall be discontinued from the first day of the second calendar month which begins after the date of his admission for such hospitalization for so long as such hospitalization continues. In case a veteran covered by this subsection leaves a hospital against medical advice and is thereafter readmitted to hospitalization, such allowance shall be discontinued from the date of such readmission for so long as such hospitalization continues.*

