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15-16-2

HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
EIGHTY-SEVENTH CONGRESS
SECOND SESSION

ON
~~HR.~~ **3289**

AN ACT TO AMEND TITLE 38, UNITED STATES CODE, TO PERMIT, FOR 1 YEAR, THE GRANTING OF NATIONAL SERVICE LIFE INSURANCE TO VETERANS HERETOFORE ELIGIBLE FOR SUCH INSURANCE

JULY 9, 1962

Printed for the use of the Committee on Finance



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NSLI

MONDAY, JULY 9, 1962

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to notice, at 2:30 p.m., in room 2221, New Senate Office Building, Senator Russell B. Long presiding.

Present: Senators Long, Douglas, Gore, and Curtis.

Also present: Elizabeth B. Springer, chief clerk.

Senator LONG. I will call these hearings to order.

These hearings are to take further testimony with regard to S. 3289 as well as with regard to suggestions made by the executive branch with regard to ways in which this legislation might be amended to make it more acceptable to the administration. I place in the record a copy of the pending bill, S. 3289, as well as the departmental reports received thereon from the Veterans' Administration and the Bureau of the Budget.

(The bill and departmental reports follow:)

[S. 3239, 87th Cong., 2d sess.]

A BILL To amend title 38, United States Code, to permit, for one year, the granting of national service life insurance to veterans heretofore eligible for such insurance

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subchapter I of chapter 19 of title 38, United States Code, is amended by adding at the end thereof the following new section:

"§ 725. Limited period for acquiring insurance

"(a) Any person heretofore eligible to apply for national service life insurance shall, upon application in writing made within one year from the effective date of this section, submission of evidence of good health satisfactory to the Administrator 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 policies of national service life insurance, except (1) five-year level-premium term insurance may be issued but not renewed on the term plan after the applicant's fiftieth birthday; (2) the premium rates shall be based on the 1958 Commissioners Standard Ordinary Table of Mortality and interest at the rate of 3 per centum per annum, however, an additional premium to cover administrative costs as determined and fixed by the Administrator at time of issue shall be charged for insurance issued under this subsection and for any total disability income provision which may be attached thereto; (3) all cash, loan, paid-up and extended term insurance values shall be based on the 1958 Commissioners Standard Ordinary Table of Mortality and interest at the rate of 3 per centum per annum; (4) all settlements on policies involving annuities shall be calculated on the basis of the Annuity Table for 1949, and interest at the rate of 3 per centum per annum; (5) the insurance shall be subject to the provisions of subsections (b), (d), and (e) of this section and shall include such other changes in terms and conditions as the Administrator determines to be reasonable and practicable.

"(b)(1) There is hereby created in the Treasury a permanent trust fund to be known as the postservice insurance fund. All premiums paid on account of insurance issued under subsection (a) of this section and any total disability income provision attached thereto shall be deposited and covered into the Treasury to the credit of such fund, which, together with interest earned thereon, shall

be available for the payment of liabilities under such life and disability insurance, including payment of dividends, refund of unearned premiums and administrative costs. Payments from this fund shall be made upon and in accordance with awards by the Administrator. Appropriations to such fund are hereby authorized.

"(b)(2) The Administrator is authorized to set aside out of the postservice insurance fund such reserve amounts as may be required under accepted actuarial principles to meet all liabilities under such insurance; and the Secretary of the Treasury is authorized to invest and reinvest such fund, or any part thereof, in interest-bearing obligations of the United States or in obligations guaranteed as to principal and interest by the United States, and to sell such obligations for the purposes of such fund.

"(b)(3) Notwithstanding the provisions of section 782 of this title, the Administrator shall, from time to time, determine the administrative costs to the Government which in his judgment are properly allocable to insurance issued under subsection (a) of this section and any total disability income provision attached thereto and shall transfer the amount of such cost from that portion of the premium which is charged for administrative cost and, to the extent necessary, from any surplus which the Administrator determines to be available for dividends on such life and disability insurance from the postservice insurance fund to the general fund receipts in the Treasury. The initial administrative cost of issuing insurance under subsection (a) of this section and any total disability income provision attached thereto shall be so transferred over such period of time as the administrator determines to be reasonable and practicable.

"(c) Any person who applies for insurance under subsection (a) of this section and who cannot qualify for insurance thereunder solely because of a service-connected disability for which compensation would be payable, if 10 per centum or more in degree, shall be granted insurance under subsection (a) of section 722 of this title, subject to the limitations and conditions applicable to such insurance except (1) five-year level-premium term insurance may be issued but not renewed on the term plan after the applicant's fiftieth birthday; and (2) the insurance shall include such other changes in terms and conditions as the Administrator determines to be reasonable and practicable. If a person otherwise eligible for insurance under this subsection is shown by evidence satisfactory to the Administrator to have been mentally incompetent as the result of a service-connected disability during any part of the one-year period in which application could have been filed under subsection (a) of this section, application for insurance under this subsection may be filed within one year after a guardian is appointed or within one year after removal of such disability as determined by the Administrator, whichever is the earlier date. This subsection shall not be construed to grant insurance under subsection (b) of section 722 of this title.

"(d) Notwithstanding the provisions of section 782 of this title, a medical examination (including any supplemental examination or tests) when required of an applicant for issuance of insurance under this section or any total disability income provision attached thereto shall be at the applicant's 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."

SEC. 2. Subsections (b), (c), and (d) of section 721 of title 38, United States Code, are amended by adding after the words "national service life insurance fund" wherever they appear therein the following: "or the postservice insurance fund, whichever is applicable," except that the comma after the word "applicable" shall be omitted from subsection (c).

SEC. 3. The amendments made by this Act shall take effect as of the first day of the first calendar month which begins more than one year after the date of enactment of this Act.

SEC. 4. The analysis of subchapter I of chapter 19 of title 38, United States Code, is amended by adding at the end thereof the following:

"725. Limited period for acquiring insurance."

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., June 27, 1962.

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

DEAR MR. CHAIRMAN: This is in response to your letter of May 24, 1962, requesting the views of the Bureau of the Budget on S. 3289, a bill to amend title 38, United States Code, to permit, for 1 year, the granting of national service life insurance to veterans heretofore eligible for such insurance.

S. 3289 would establish a 1-year period, beginning approximately 1 year after the date of enactment, during which nondisabled servicemen and veterans, who served in the Armed Forces of the United States, during the period between October 8, 1940, and January 1, 1957, would be eligible to apply for new insurance under the national service life insurance program, or increase protection now held, up to a maximum \$10,000. The bill would establish a new trust fund, designated the postservice insurance fund, to receive income from premiums, investments, and appropriated funds, and to pay claims, dividends, and administrative costs. Nondisabled veterans and servicemen who applied for such insurance during the 1-year period would be charged for the additional administrative costs resulting from their participation in the insurance program. S. 3289 would also permit service-disabled servicemen and veterans to be granted insurance under the nonparticipating service-disabled veterans insurance program during the same 1-year period.

S. 3289 is, therefore, similar in many fundamental respects to S. 977, upon which the Bureau of the Budget reported adversely to your committee July 5, 1961. Our reasons for opposing enactment of legislation to reopen the veterans' insurance program as reflected in our report on S. 977 related to the serious problems we foresee in relation to existing servicemen's and veterans' survivor benefits programs; the lack of relationship between the proposed reopening and any service-related need or Government obligation; the lapse of time, both since the termination of the military service periods and the closing of the insurance program; the duplication of the facilities and resources of commercial insurance companies which would occur; and the significant cost to the Government involved.

We have carefully reviewed our previously expressed position. While the review has confirmed our view that there is no compelling need or Government obligation to reopen those long-closed insurance programs, the Bureau of the Budget would not object to a limited period of reopening during which eligibility to take out insurance and keep it in force would be restricted to those not in military service who between October 8, 1940, and January 1, 1957, would have been eligible for insurance. If so limited, our most serious concern would be eliminated; that is, the potential adverse impact of reopening on the existing comprehensive program of benefits for servicemen and for ex-servicemen deceased from service-connected causes. We believe that rates for this insurance should be based on the most modern actuarial tables, that it should be fully self-supporting as to administrative expenses and benefit costs, and that the policies issued should be nonparticipating (any surplus funds to be transferred to the general fund of the Treasury).

In summary, therefore, while we do not regard legislation of this sort as necessary, the Bureau of the Budget would not object to legislation limited along the lines outlined above if the Congress sees fit to enact such legislation.

The Veterans' Administration is transmitting a draft bill, in its report to the committee, which provides an acceptable program for reopening.

Sincerely yours,

DAVID E. BELL, Director.

VETERANS' ADMINISTRATION,
June 27, 1962.

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

DEAR MR. CHAIRMAN: In response to your request for a report on S. 3289, 87th Congress, I am pleased to recommend favorable action by your committee on legislation to authorize, for a limited period, the granting of national service life insurance to veterans heretofore eligible for such insurance.

As you know, the Veterans' Administration submitted an unfavorable report to your committee last year on a bill with a similar purpose. Our position at that

time reflected a continuation of the policy of previous Administrators regarding the role of the Government in activities of a commercial type such as the life insurance program. Since then, the whole subject has been carefully studied and reevaluated and I have concluded that the withdrawal in 1951 of the privilege theretofore granted to millions of World War II veterans to secure insurance—many of whom had not yet determined their insurance needs—may well have caused hardship or unwise decision in many instances. I believe, therefore, that an extension of this privilege, for a limited period, to veterans who were previously eligible for insurance by reason of service to their country is appropriate. Further, with respect to veterans who served prior to 1951, adequate recognition has not been given to the obligation of the Government toward those veterans whose insurability has been seriously impaired, if not lost, by reason of their service-incurred disabilities. This legislation would properly meet that obligation.

For the above reasons I strongly urge that the Congress enact legislation having the basic objectives of S. 3289. However, to avoid the pyramiding of survivor benefits for deaths in the active service I suggest that the bill be amended to restrict eligibility to take out insurance and keep it in force to those not in the active military service who, between October 8, 1940, and January 1, 1957, were eligible for insurance. For administrative reasons, I also believe it would be desirable to make such insurance nonparticipating. Veterans' Administration representatives will be pleased to furnish such technical assistance as your staff may desire in developing appropriate language for such amendments.

There is enclosed a detailed analysis covering the provisions of S. 3289; the legislative history of the insurance program since 1940; and data regarding the administrative and other cost aspects of the bill.

We understand that the Bureau of the Budget, in a separate report, is advising your committee that there is no objection to legislation on this subject, if limited along the lines covered by the above-suggested amendments.

Sincerely,

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

ANALYSIS OF THE PROVISIONS OF S. 3289; LEGISLATIVE HISTORY OF THE INSURANCE PROGRAM SINCE 1940; AND DATA REGARDING THE ADMINISTRATIVE AND OTHER COST ASPECTS OF S. 3289

S. 3289, if enacted, would provide a 1-year period during which persons previously eligible for national service life insurance (NSLI) by reason of service after October 7, 1940, and prior to the effective date of the bill could apply for and be granted NSLI. It would authorize the issue of new NSLI to all such eligible persons except certain Philippine veterans whose rights to NSLI were restricted by the Rescission Acts of 1946 (now restated in 38 U.S.C. 107).

The bill would reopen the NSLI program for certain veterans in good health and for veterans who have a service-connected disability (regardless of degree) who are otherwise in good health. With respect to both groups, the bill would cover (1) persons who served after October 7, 1940, and prior to April 25, 1951, whether discharged or not, and (2) persons who served after April 24, 1951, and who were discharged prior to January 1, 1957. With respect to the service disabled alone, the bill would cover persons who served after October 7, 1940, and who are discharged and rated as service disabled prior to the effective date of the bill. The bill would be effective the first day of the first calendar month which begins more than 1 year after the date of enactment.

The insurance to be issued under the bill to persons in good health would be granted under the same terms and conditions as are contained in standard policies of NSLI except (1) 5-year level premium term insurance could be issued but not renewed on the term plan after the applicant's 50th birthday, (2) the premium rates would be based on the 1958 Commissioners Standard Ordinary Table of Mortality and interest at the rate of 3 percent per annum, and would be increased to cover administrative costs as determined and fixed by the Administrator at the time of issue of the insurance or any total disability income provision which may be attached thereto, (3) all cash, loan, paidup, and extended term insurance values would be based on the 1958 Commissioners Standard Ordinary Table of Mortality and interest at the rate of 3 percent per annum, (4) all settlements on policies involving annuities would be calculated on the basis of the Annuity Table for 1949 and interest at the rate of 3 percent per annum, and (5) the insurance would be subject to the other provisions of the bill and would include such other changes in terms and conditions as the Administrator determines to be reasonable and practicable.

The insurance for the veterans in good health would be financed through a new permanent trust fund created in the Treasury and known as the postservice insurance fund. The operation of the fund, its investment, and payment of liabilities therefrom would be in a manner similar to that exercised with respect to the existing participating NSLI fund. In addition, the bill would require that the Administrator determine from time to time the administrative cost to the Government which in his judgment is properly allocable to such insurance, and any total disability provisions attached thereto, and to transfer the amount of such cost from that portion of the premium which is charged for administrative cost (and, to the extent necessary, from any surplus which the Administrator determines to be available for dividends on such life and disability insurance) from the postservice insurance fund to the general fund receipts in the Treasury. The initial administrative cost of issuing such insurance or provision would be transferred over such period of time as the Administrator determines to be reasonable and practicable.

Any person applying for insurance under the bill and who could not qualify thereunder solely because of a service-connected disability for which compensation would be payable if 10 percent or more in degree, could be granted service-disabled veterans insurance under 38 U.S.C. 722 (a), subject to the limitations and conditions applicable to such insurance except (1) 5-year level premium term insurance could be issued but not renewed on the term plan after the applicant's 50th birthday, and (2) the insurance would include such other changes in terms and conditions as the Administrator determines to be reasonable and practicable. Any otherwise eligible person who is found to be mentally incompetent as a result of a service-connected disability during any part of the 1-year period for which application could be filed for insurance under the bill, would have 1 year after the appointment of a guardian or after the removal of such disability in which to file application, whichever is the earlier date.

The bill provides that a medical examination (including any supplemental examination or tests) when required of an applicant for issuance of insurance thereunder or any total income disability provision attached thereto shall be at the applicant's own expense by a duly licensed physician. This provision would be applicable to persons with service-connected disabilities as well as those in good health.

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 Jan. 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 abruptly terminated by Public Law 23, 82d Congress, without notice to such persons that the authority to issue insurance to them would be so canceled.

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.

Public Law 881, 84th Congress (Servicemen's and Veterans' Survivor Benefits Act), effective January 1, 1957, consolidated the free \$10,000 servicemen's indemnity program and death compensation program into a new death benefit program (dependency and indemnity compensation) and terminated the authority to issue postservice term insurance under section 621 of the NSLI Act—thus limiting the initial issue of postservice insurance to the service disabled under 620 of the NSLI Act (now 38 U.S.C. 722 (a)).

There are approximately 16 million veterans who would be eligible to apply for insurance under the bill. Of this 16 million there are around 2.2 million who have less than \$10,000 insurance. There are approximately 1,800,000 service-disabled veterans who would be potentially eligible for insurance under the bill provided

they do not now have the maximum coverage of \$10,000. Of this number about 1,048,000 are rated 10 and 20 percent disabled and it is probable that a large proportion of these groups would be able to qualify under the good health provisions of the bill for participating NSLI. The Veterans' Administration has no basis on which to make a reliable estimate of the number of applications that will be received or the number of policies that will be issued under the bill. For the purposes of this report it is arbitrarily assumed that 1 million policies will be issued under the bill, 100,000 of which will be issued to the service disabled. Hence, the actual costs incurred under the bill will be more or less than the indicated amount depending upon the actual number of such policies issued.

The cost to the Government of reopening insurance to persons in good health will be the amount of claims traceable to the extra hazard of military and naval service. If it is arbitrarily assumed that 1 million policies will be issued under the bill, and that 900,000 are issued to persons in good health with an average face amount of \$6,750, the extra hazards cost to the Government over the first 5 years after the effective date of the bill would be about \$100,000 the first year and \$240,000 for each of the next 4 years.

If it is assumed that the cost to the Government of insurance issued under the bill to the service-disabled group will follow our experience on service disabled veterans insurance issued under 38 U.S.C. 722 (a), the annual premium deficiency would be about \$130 a year per policy issued. These annual premium deficiencies represent incurred losses and are not directly comparable to the yearly cash appropriations required to meet the current payments under insurance issued to the service disabled. In the early years of the program the appropriations required to meet current payments would be less than the actual losses incurred for that particular year; in the latter years of the program the reverse would be true. If it is assumed that 100,000 policies of insurance will be issued under the bill to the service disabled, the premium deficiency would be \$5.6 million the first year after the effective date of the bill and \$13 million for each of the next 4 years.

The estimated administrative cost of the bill (generally to be borne by the insureds) is based on the assumption that three-fourths of the applications received thereunder will be processed the first year and that one-fourth will be processed the second year following the effective date of the bill. As indicated, the administrative cost is also based on an arbitrarily assumed 1 million policies, 900,000 issued to healthy veterans and 100,000 to the service disabled. (The cost of administration of the latter group of policies will, of course, not be borne by the policyholders.) Based on the assumed number of policies it is estimated that the administrative costs the first year will be approximately \$7.7 million; \$5.6 million the second year; and decreasing each of the succeeding 3 years to about \$2.7 million the fifth year. (Substantially recoverable from policyholders.)

Senator LONG. I call as the first witness Mr. John S. Gleason, Jr., Administrator of Veterans' Affairs.

Mr. Gleason, we are very happy to have you before the committee. If you have a prepared statement, I would suggest that you proceed with it in your own way.

STATEMENT OF JOHN S. GLEASON, JR., ADMINISTRATOR OF VETERANS' AFFAIRS, VETERANS' ADMINISTRATION; ACCOMPANIED BY CYRIL F. BRICKFIELD, GENERAL COUNSEL, A. H. MONK, ASSOCIATE DEPUTY ADMINISTRATOR, PHILIP J. BUDD, CHIEF INSURANCE DIRECTOR, WILLIAM A. POISSANT, CHIEF ACTUARY, DONALD C. KNAPP, ASSISTANT GENERAL COUNSEL, AND OLIVER CLAY, INSURANCE COUNSEL

Mr. GLEASON. Thank you, Mr. Chairman.

I appreciate the opportunity to appear before you this afternoon to discuss the important subject of reopening the national service life insurance program for a limited period and to give you my views as to the merits of such a proposal.

At the outset may I say that I am pleased to recommend favorable action by your committee on legislation to authorize, for a limited period, the granting of NSLI to certain veterans heretofore eligible for such insurance.

As you know, the Veterans' Administration submitted an unfavorable report to your committee last year on a bill with a similar purpose. Since then, the whole subject has been thoroughly and carefully studied and reevaluated, and I have concluded that the withdrawal in 1951 of the privilege theretofore granted to millions of World War II veterans to secure insurance—many of whom had not yet determined their insurance needs—caused hardship or unwise decision in many instances.

I believe, therefore, that an extension of this privilege, for a limited period only, to veterans who were previously eligible for insurance, by reason of service to their country, is appropriate.

Further, with respect to veterans who served prior to 1951, adequate recognition has not been given to the obligation of the Government toward those veterans whose insurability has been seriously impaired, if not lost, by reason of their service-incurred disabilities.

Legislation now before your committee would properly meet that obligation.

I strongly urge that the Congress enact legislation having the basic objectives of Senator Long's bill, S. 3289. However, to avoid the pyramiding of survivor benefits for deaths in the active service—which are now authorized on a liberal basis—we suggest that the bill be amended to restrict eligibility to take out insurance and keep it in force to those not in the active military service. We also believe that it would be desirable to make such insurance nonparticipating—thus obviating a dividend determination and disbursement each year.

The Deputy Administrator furnished to your committee on June 27 a draft bill which embodies the modifications I have just mentioned and which, if enacted, would provide an acceptable program for reopening NSLI from the standpoint of the administration.

Our proposal, which I hope the committee will adopt, would make available to potentially 16 million World War II and Korean conflict veterans who are able to submit evidence of good health at the time of application a new type of nonparticipating NSLI based on a modern mortality table.

In addition, for veterans unable to qualify for such insurance because of a service-connected disability, the bill would authorize for those less than 100 percent disabled the same type of nonparticipating insurance as was granted to World War II veterans between 1946 and 1950.

Although such persons will be seriously impaired risks, our actuaries advise me that on the basis of comparable experience on the insurance issued during that period, it is their belief that the new service-disabled insurance will be self-sustaining, and thus result in no cost to the Government.

This is due to the fact that the bill provides for the use of a mortality table which provides substantially higher premium rates than are necessary for standard risks.

However, the service disabled will nevertheless be able to secure permanent plan insurance at rates not too far out of line with standard commercial rates.

Since under our proposal all administrative costs will be borne by the policyholders, enactment of this draft bill will provide a substantial benefit for potentially millions of veterans without any subsidy or other cost to the Government.

I am accompanied by my associates, Mr. Philip J. Budd, Chief Insurance Director, Mr. Cyril Brickfield, General Counsel, and Mr. A. H. Monk, Associate Deputy Administrator, Mr. William A. Poissant, Chief Actuary, Mr. Oliver Clay, Insurance Counsel, and Mr. Donald C. Knapp, Assistant General Counsel.

Depending upon the wishes of the committee, these gentlemen are prepared to discuss in detail the provisions and technical aspects of S. 3289 and the administration draft and to explain to the committee the major areas in which they differ in the approach to our common objective.

In that connection, I would like to submit for the record a comparative table which may be helpful to the committee in analyzing the salient features of these proposals. We submitted with our formal report to the committee on S. 3289 a detailed analysis of the provisions of the bill, the legislative history of the insurance program since 1940, and data regarding the administrative and other cost aspects of S. 3289.

I submit for the record our formal report with accompanying draft of the bill recommended by the administration and a comparison of the two bills.

I would like to express my appreciation to you, Mr. Chairman, for the invitation to appear before your committee to discuss this legislation which is so important to the veterans of the United States.

(The formal report, draft of recommended bill and comparison of the two bills follow:)

JUNE 27, 1962.

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

DEAR MR. CHAIRMAN: Reference is made to the Administrator's report to your committee on S. 3289, 87th Congress, a bill to reopen the national service life insurance program, for a limited period, to certain veterans heretofore eligible for such insurance.

▶ The mentioned report recommended certain amendments to the bill for consideration by your committee. To implement such recommendations I am enclosing a draft bill which contains appropriate revisions to reflect the details of the amendments suggested.

Sincerely,

W. J. DRIVER, *Deputy Administrator.*

A¹BILL To amend title 38, United States Code, to permit, for one year, the granting of national service life insurance to certain veterans heretofore eligible for such insurance

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subchapter I of chapter 19 of title 38, United States Code, is amended by adding at the end thereof the following new section:

“§ 725. Limited period for acquiring insurance

“(a) Any person (other than a person referred to in subsection (e) of this section) heretofore eligible to apply for National Service Life Insurance after October 7, 1940, and before January 1, 1957, shall, upon application in writing made within one year after the effective date of this section, submission of evidence of good health satisfactory to the Administrator 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 policies of National Service Life Insurance except (1) five-year level premium term insurance may be issued but not renewed on the term plan after the applicant's fiftieth birthday; (2) the net

premium rates shall be based on the 1958 Commissioners Standard Ordinary Basic Mortality Table and shall be increased by such an amount as the Administrator determines to be necessary for sound actuarial operations; (3) an additional premium to cover administrative costs to the Government as determined by the Administrator at time of issue shall be charged for insurance issued under this subsection and for any total disability income provision attached thereto, and thereafter such costs may be adjusted as the Administrator determines to be necessary but at intervals of not less than five years; (4) all cash, loan and paid-up insurance values shall be based on the 1958 Commissioners Standard Ordinary Basic Mortality Table and all extended term insurance values shall be based on 130 per centum of such Table; (5) all settlements on policies involving annuities shall be calculated on the basis of The Annuity Table for 1949; (6) all calculations in connection with insurance issued under this subsection shall be based on interest at the rate of 3 per centum per annum; (7) all rights under such insurance and any total disability income provision attached thereto, whether in force or lapsed, shall terminate effective upon the date the policyholder enters on active duty or active duty for training under a call or order to such duty for a period of thirty-one days or more; (8) the insurance shall not be payable for death which occurs while the insured is on active duty or active duty for training under a call or order to such duty for a period of less than thirty-one days, if dependency and indemnity compensation is payable in such case at the time of death, however, the cash value, if any, less any indebtedness shall be paid to the designated beneficiary, if living, otherwise to the insured's estate; (9) the insurance shall include such other changes in terms and conditions as the Administrator determines to be reasonable and practicable; (10) the insurance and any total disability income provision attached thereto 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 insurance and disability provision shall be made directly from such fund.

"(b)(1) There is authorized to be appropriated such sums as may be required to provide capital for the revolving fund to carry out the purpose of this section. Such appropriations shall be advanced to the revolving fund as needed and shall bear interest as determined by the Secretary of the Treasury, taking into consideration the average yield on all marketable interest-bearing obligations of the United States of comparable maturities then forming a part of the public debt and shall be repaid to the Treasury over a reasonable period of time.

"(2) The Administrator is authorized to set aside out of the revolving fund established under subsection (a) of this section such reserve amounts as may be required under accepted actuarial principles to meet all liabilities on insurance issued under subsection (a) of this section and any total disability income provision attached thereto. The Secretary of the Treasury is authorized to invest in and to sell and retire special interest-bearing obligations of the United States for the account of the revolving fund. Such obligations issued for this purpose by the revolving fund shall have maturities fixed with due regard for the needs of the fund and shall bear interest at a rate equal to the average market yield (computed by the Secretary of the Treasury on the basis of market quotations as of the end of the calendar month next preceding the date of issue) on all marketable interest-bearing obligations of the United States then forming a part of the public debt which are not due or callable until after the expiration of four years from the end of such calendar month; except that where such average market yield is not a multiple of one-eighth of 1 per centum, the rate of interest of such obligations shall be the multiple of one-eighth of 1 per centum nearest such market yield.

"(3) Notwithstanding the provisions of section 782 of this title, there are hereby authorized to be made available for expenditure out of the revolving fund such sums as Congress may deem appropriate to pay the cost of administration of insurance issued under subsection (a) of this section, and any total disability income provision attached thereto, for transfer to the appropriation, 'General operating expenses, Veterans' Administration,' or as may otherwise be specified in appropriation acts. The Administrator shall from time to time transfer from such revolving fund to the general fund receipts in the Treasury any amounts which he determines are in excess of the actuarial liabilities of such fund, including contingency reserves.

"(c) Any person who applies for insurance under subsection (a) of this section and who cannot qualify for insurance thereunder solely because of a service-connected disability less than total in degree for which compensation would be payable, if 10 per centum or more in degree, shall be granted insurance under the same terms and conditions as are contained in standard policies of National

Service Life Insurance except (1) five-year level premium term insurance may be issued but not renewed on the term plan after the applicant's fiftieth birthday; (2) an additional premium to cover administrative costs to the Government as determined by the Administrator at the time of issue shall be charged for insurance issued under this subsection and for any total disability income provision attached thereto (for which the insured may subsequently become eligible) and thereafter such costs may be adjusted as the Administrator determines to be necessary but at intervals of not less than five years; (3) the insurance and any total disability income provision attached thereto shall be on a nonparticipating basis; (4) all settlements on policies involving annuities shall be calculated on the basis of the Annuity Table for 1949, and interest at the rate of 3 per centum per annum; (5) the insurance shall include such other changes in terms and conditions as the Administrator determines to be reasonable and practicable; (6) all premiums and other collections on the insurance and any total disability income provision attached thereto shall be credited directly to the National Service Life Insurance Appropriation and any payments of benefits on such insurance and total disability income provision attached thereto shall be made directly from such appropriation. Appropriations necessary to carry out the provisions of this subsection are hereby authorized. Notwithstanding the provisions of section 782 of this title, there are hereby authorized to be made available for expenditure out of the National Service Life Insurance Appropriation such sums as Congress may deem appropriate to pay the cost of administration of insurance issued under this subsection, and any total disability income provision attached thereto, for transfer to the appropriation, 'General Operating Expenses, Veterans' Administration,' or as may otherwise be specified in appropriation acts.

"(d) Notwithstanding the provisions of section 782 of this title, a medical examination (including any supplemental examination or tests) when required of an applicant for issuance of insurance under this section or any total disability income provision attached thereto shall be at the applicant's 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 or to any person while on active duty under a call or order to active duty for a period of 31 days or more.

"(f) (1) Whenever insurance issued under subsection (a) of this section and any total disability income provision attached thereto is terminated as provided in such subsection, the cash value, if any, less any indebtedness, of a permanent plan policy shall be paid to the insured. Any person whose term or permanent plan policy, not including a reduced paid-up policy, was so terminated while it was not lapsed may, upon written application and payment of the required premium made within 120 days after separation from active duty or active duty for training replace such policy and any total disability income provision attached thereto which was in force at the time of termination. The policy and provision issued to replace the terminated insurance shall be on the same plan and shall not be in excess of the amount of insurance which was terminated. Any person whose permanent plan policy was so terminated while such insurance was not lapsed may reinstate such insurance and any total disability income provision attached thereto which was in force at time of termination, upon written application, payment of the required premium and reserve within the 120-day period specified above. A person whose paid-up policy was so terminated may replace such paid-up insurance within the 120-day period specified above, and any total disability income provision attached thereto which was in force at time of termination, upon written application and payment of the required premium and reserve. Waiver of premiums and total disability income benefits otherwise authorized under this chapter shall not be denied in any case of reinstatement or replacement of insurance or the disability provision under this paragraph in which it is shown to the satisfaction of the Administrator that the total disability of the applicant began before the date of his application.

"(2) Any person whose rights under a term or permanent plan policy or any total disability income provision attached thereto were terminated under subsection (a) of this section, while the insurance and provision were in a lapsed status, may upon separation from active duty or active duty for training, replace such policy and provision on the same plan and not in excess of the amount of insurance terminated, upon written application made within 120 days after separation from such duty, payment of the required premium and submission of evidence of good health satisfactory to the Administrator.

"(3) Any person whose rights under a term or permanent plan policy or total disability income provision attached thereto were terminated under subsection (a) of this section, whether the insurance and provision were in force or lapsed, may upon separation from active duty or active duty for training (A) reinstate such permanent plan policy and provision upon written application, payment of the required premium and reserve, and submission of evidence of good health satisfactory to the Administrator; or (B) reinstate such term policy and provision (within the term period) upon written application, payment of the required premiums, and submission of evidence of good health satisfactory to the Administrator.

"(4) Five year level premium insurance may be issued under this subsection but not renewed on the term plan after the applicant's fiftieth birthday. Insurance replaced under this subsection shall be issued at the premium rate for the applicant's then attained age."

Sec. 2. The amendments made by this Act shall take effect as of the first day of the first calendar month which begins more than one year after the date of enactment of this Act.

Sec. 3. The analysis of subchapter I of chapter 19 of title 38, United States Code, is amended by adding at the end thereof the following:

"725. Limited period for acquiring insurance."

Comparison of S. 3289 with the administration bill to reopen national service life insurance

	S. 3289	Administration bill
Coverage.....	World War II and Korean— (1) Persons who served after Oct. 7, 1940, and prior to Apr. 25, 1951, whether discharged or not. (2) Persons who served after Apr. 24, 1951, and who were discharged prior to Jan. 1, 1957. (3) Service disabled, regardless of degree of disability, who meet the conditions of clause (1) or who served after Apr. 24, 1951, and who are discharged and rated as service disabled prior to 1 year after date of enactment.	World War II and Korean— (1) Persons who served after Oct. 7, 1940, and prior to Apr. 25, 1951, who have been discharged regardless of date of discharge. (2) Same. (3) Service disabled, less than total in degree, who meet the conditions of clauses (1) or (2).
Exclusion from coverage.....	No insurance granted to any person referred to in 38 U.S.C. 107 (Philippine Army veterans).	No insurance granted to any person referred to in 38 U.S.C. 107 (Philippine Army veterans), or to any person while on active duty under a call or order to active duty for a period of 31 days or more.
Recall to duty of 31 days or more.....	Does not affect insurance.	Insurance terminates, but can be reinstated or replaced without medical examination within 120 days after discharge. After the 120-day period insurance can be reinstated upon proof of good health but term insurance must be reinstated within term period. (Not applicable to insurance for service disabled.)
Recall to duty of less than 31 days.....	Does not affect insurance.....	Not payable for death which occurs while on such duty if dependency and indemnity compensation is payable at time of death (not applicable to insurance for service disabled.)
Type of insurance issued to service disabled.....	Issued under 38 U.S.C. 722(a), similar to service disabled veterans insurance issued to Korean veterans.	Based on American Experience Table of Mortality—similar to insurance issued to World War II service disabled.
Term.....	Yes; may be issued but not renewed after age 50.....	Same.
Permanent plan.....	Yes.....	Yes.
Participating.....	Yes; for persons in good health.....	No.
Time for applying.....	1 year following effective date of bill (which is 1 year from date of enactment).	Same.
Mortality tables.....	Persons in good health—1958 CSO and 3-percent interest..... Service disabled—1941 CSO and 2¼-percent interest.....	Persons in good health—1958 CSO basic plus loading factor, and 3-percent interest. Service disabled—American Experience Table of Mortality and 3-percent interest.
Expense of medical examination.....	Borne by applicant, including service disabled.....	Same.
Insurance funds.....	Persons in good health—Postservice insurance fund (a trust fund). Service disabled—revolving fund in Treasury.....	Persons in good health—revolving fund in Treasury.
Administrative expenses.....	Borne by new policyholders (other than service disabled). Estimated at \$5 annually per policy.	Service disabled—NSLI appropriation. Borne by all policyholders, including service disabled.
Estimated administrative cost (first 5 years).....	\$7,716,700; \$5,583,500; \$3,088,500; \$2,907,500; \$2,743,500. Based on an estimated 1 million policies issued under the bill. ½% of cost borne by insureds; Government bears cost for service disabled.	Approximately the same as S. 3289 but all cost repaid to Government, with interest.
Service disabled benefit cost (first 5 years).....	\$5,700,000 1st year; \$13,240,000 for each of next 4 years. Based on 100,000 policies issued to service disabled including persons totally disabled. Also includes extrahazard cost.	Estimated to be self-sustaining.

Senator LONG. I want to thank you, Mr. Gleason, for your activities in making it possible for the administration to support the type of legislation we are considering here today.

I know that for many years you have had sympathy with our efforts to make available to veterans the opportunity to obtain insurance at the best rate that the Government could offer it.

Now, I want to explore one or two things with you in connection with that. It is my understanding that you would recommend a different set of mortality tables for computing the rates for service-disabled veterans as against the rate for those who have no degree of disability. Is that correct?

Mr. GLEASON. Yes, sir; that is correct.

Senator LONG. Now, could you supply for the record—I would like to place it in these hearings if you have it available—some indication of what the difference in premium would be as between disabled veterans and those who are not disabled?

Mr. GLEASON. I don't know whether we have it. If we don't we will supply it, Mr. Chairman.

(See chart A, p. 17.)

Senator LONG. If you have it I might just take a look at it.

Mr. GLEASON. Mr. Poissant, the Chief Actuary.

Mr. POISSANT. Would you like to look at it?

Senator LONG. Yes.

Looking at these tables I see that the rate that you would be compelled to charge to disabled veterans would be in some cases a little more and in some cases a little less than would be charged by commercial insurance companies for their 5-year term policies, and in most cases, I believe, more than they would charge for ordinary life policies.

Now, am I to understand that the reason for offering insurance to these veterans would be that the companies would not insure them at all?

Mr. GLEASON. That is correct, sir.

Senator LONG. In other words, private companies would not find these disabled veterans to be an insurable risk?

Mr. GLEASON. Right.

Senator LONG. You think that you would be able to offer them a policy at perhaps a greater cost but not much greater than the existing costs?

Mr. GLEASON. That is correct, sir.

Senator LONG. Yes.

The thought has occurred to me that we should consider offering insurance to disabled veterans who are otherwise not insurable to the extent that we would actually subsidize the cost of their insurance.

In other words, while I do not contend that we should subsidize the cost of insurance to a veteran who is not disabled, and I have proposed that they should pay their own way, it occurs to me that if we are going to provide policies for disabled veterans, then we should perhaps try to make up the difference between what the premium would be for a veteran in good health, and the higher premium that would exist for one who had suffered a considerable disability in war.

What would be the argument that we should not do that?

Mr. GLEASON. Well, I think we ought to treat them all on an equitable basis, Senator, and they have had this opportunity previously

and now we are making it available to them again, and we just feel that this would be more equitable under the circumstances.

Senator LONG. What you are proposing is that both categories should pay their own way?

Mr. GLEASON. That is correct.

Senator LONG. And you think disabled veterans would be paying their own way with the type of insurance protection you are offering here?

Mr. GLEASON. They would; yes, sir.

Senator LONG. Right. Of course, as you know, that is one of the major differences between your proposal and the bill that was introduced by myself and a number of others.

We were satisfied that veterans who are in all respects in good physical condition and insurable should pay the full cost of their insurance, but we were not inclined to feel that we should charge the full cost of the insurance to those who had suffered a disability in wartime.

Of course, those who are disabled are drawing Government pensions, are they not?

Mr. GLEASON. That is right. Not pensions, compensation.

Senator LONG. Compensation.

Well, down my way we try to make "pension" a very respectable term.

Mr. GLEASON. We do have the two terms in the Veterans' Administration, "compensation" and "pension."

Senator LONG. Right. They are drawing payments for the purpose of compensating them for the injuries and disabilities they suffered as a result of their wartime service.

Mr. GLEASON. That is correct, sir.

Senator LONG. Now, in the event of the death of these veterans, is there any payment made to their widows and families beyond that which would be made to other veterans?

Mr. GLEASON. Yes; depending upon whether the death was due to the service-connected disability.

Senator LONG. It seems to me we should consider doing something to recognize the fact that while we are trying to compensate veterans for their disability, that we also owe them something to compensate for their lack of insurability.

Mr. GLEASON. Well, of course, there is the death compensation, Mr. Chairman.

Senator LONG. Would you just explain that, briefly, for the record?

Mr. GLEASON. Well, on the death of a veteran from service-connected causes a death compensation would be payable to the widow or to the children.

Senator LONG. Yes. If you don't have it available, would you supply for the record some information on the death compensation? For example, if a veteran is 50-percent disabled, how much adjustment would be available to the widow on death.

Mr. GLEASON. We don't have it here, Mr. Chairman, but we will supply it for you.

Senator LONG. I would like to have it for the record because that has something of the effect of an insurance policy for the family.

(The information referred to follows:)

A veteran rated as 50-percent service-connected disabled who has a wife and one child is eligible to receive disability compensation at the rate of \$120 monthly. If he dies from a service-connected cause, dependency and indemnity compensation is payable to his widow at a monthly rate equal to \$112 plus 12 percent of the basic pay received by the veteran while in the Armed Forces. Such rates range from \$122 monthly for the widow of a private with less than 2 years service to \$326 monthly for the widow of a four-star general with over 30 years service.

Senator LONG. How much could his family get if the veteran is 100 percent disabled when he passes away? Does anyone have that figure?

Mr. KNAPP. Mr. Chairman, I am Donald Knapp, General Counsel's office.

Senator LONG. Yes.

Mr. KNAPP. If a veteran dies from service-connected causes regardless of the degree of disability at the time of his death, the death is determined to have been service connected and the payment to the widow alone, for example, ranges from \$122 if the veteran was a private up to approximately \$326, I believe, for the highest ranking officer.

Six or seven years ago they changed the program and the payment depends in part on rank. So that is the range that may potentially be payable in a given service-connected death today.

Senator LONG. So the widow and family would draw on a monthly basis an amount varying from \$122 to \$326?

Mr. KNAPP. That is right.

Senator LONG. Per month?

Mr. KNAPP. That is right, sir.

Senator LONG. In effect, this does tend to have an effect that is parallel to what we seek to achieve with insurance policies.

Mr. GLEASON. That is right.

With this kept in mind, Mr. Chairman, that the death must have been due to the service-connected disability.

Senator LONG. As I understand it, when a disabled veteran passes away there is a presumption that the disability was the cause of death. Am I correct in that?

Mr. KNAPP. Not necessarily, sir.

Mr. GLEASON. The service-connected disability must be the cause of death.

Senator LONG. I would suggest that you furnish a statement for the record of these hearings in connection with that. If we are going to charge a higher rate for veterans with service-connected disabilities, it seems to me that compensating factors should be available to justify the difference in rate.

(The information referred to follows:)

The experience of the Veterans' Administration with insurance issued to service-disabled veterans indicates that such veterans suffer a higher rate of mortality than nondisabled insureds. This higher mortality loss is reflected in the higher premiums proposed to be charged the service disabled. A comparison of the proposed rates to be charged under the administration bill to the nondisabled and the service disabled is set forth on the bottom two lines of chart A comparing rates, page 17. The rates of dependency and indemnity compensation payable to a widow for the service-connected death of her veteran husband range from \$122 to \$326 per month, depending upon the veteran's military rank and years of service.

Senator LONG. It is contended in a statement that I have seen from the American Legion that when you undertake to put this on a basis

of paying for itself, you will necessarily set your rate high enough to give you some degree of assurance that you will cover the entire cost.

Mr. GLEASON. That is right.

Senator LONG. Inasmuch as there is a lot of guesswork involved, your rate necessarily may be somewhat on the high side. The Legion contends there should be at least a periodic adjustment in the rate, or a periodic reduction in the rate to compensate for the fact that the rate is going to be on the conservative side.

Mr. GLEASON. In other words, if a reduction is warranted you mean?

Senator LONG. Yes.

Mr. GLEASON. So that the Administrator would have authority to raise the rates as well as decrease them.

Senator LONG. Frankly, it seems to me that if we are going to give you the power to reduce rates we ought to give you the power to increase them as well, to be entirely fair about it.

Mr. GLEASON. We did ask for the authority to adjust the part of the premium to cover administrative costs, Senator.

Senator LONG. As a matter of fact, I believe that one reason the private companies have objected to veterans' insurance has been that the rates set were higher than necessary. These participating policies caused you to send big checks back to veterans on veterans' insurance, and fellows were so amazed at the tremendous refunds they received that some of the companies felt it made them look bad by comparison. They were not sending back these tremendous refunds that the Veterans' Administration was sending back on their policies.

But if we are trying to set the rate as close as we can get it to what the actual cost is, it seems to me you should have the authority—and you should exercise that authority—to adjust it upward or downward as the facts might justify.

I take it you would have no objection to that.

Mr. GLEASON. So long as the Administrator is given the authority, sir.

Senator LONG. Right.

I would like to place in the record the table supplied to me by your assistant, but you might desire not to designate these companies by name for the purpose of rate comparison. If you would prefer that, I would simply state these are——

Mr. GLEASON. We would rather not.

Senator LONG (continuing). These are large insurance companies, that this is what their rates are as you can best determine them; we will simply designate them as company 1, 2, 3, 4, and 5, or A, B, C, D, and E.

Mr. GLEASON. All right, sir.

(The information referred to follows:)

CHART A

Comparison of proposed nonparticipating rates under administration bill versus commercial insurance annual net costs (premiums—including premium waiver—less dividends), \$10,000 insurance

	5-year term (1st 5 years)			Ordinary life (less dividends, 1st 20 years)		
	Age 25	Age 35	Age 45	Age 25	Age 35	Age 45
Company A.....	\$53.20	\$70.00	\$120.20	\$142.50	\$202.30	\$295.10
Company B.....	56.26	71.94	125.38	150.75	205.67	292.74
Company C.....	54.44	70.02	117.04	138.85	190.59	274.36
Company D.....	50.78	66.98	119.78	135.91	186.45	274.03
Company E.....	38.88	53.84	98.22	130.12	177.16	258.44
Company F.....	54.00	69.60	117.20	142.60	200.70	295.50
Average for 6 companies.....	51.26	67.06	116.30	140.12	193.81	281.86
Proposed annual premiums including \$5 r policy for administrative cost:						
Healthy veteran.....	18.00	27.50	67.70	108.00	157.70	240.60
Service-disabled veteran.....	84.30	95.00	122.20	167.20	218.10	305.70

Senator LONG. I also wanted to ask about this matter.

In the administration's recommendations, persons service disabled less than total in degree who were rated as service disabled prior to January 1, 1957.

Why did you select the date January 1, 1957?

Mr. GLEASON. That, I believe, sir, is the date of the new law for dependency and indemnity compensation.

Senator LONG. Would you have any objection to advancing the date to perhaps 1960?

Mr. GLEASON. Well, from—if my memory serves me correctly, sir, I don't think we should cover people who are already taken care of by the Government—

Senator LONG. But as I understand it—

Mr. GLEASON (continuing). In the dependency and indemnity compensation law.

Senator LONG. As I understand it, though, you are recommending that we have a policy available to persons who are suffering from service-connected disability, and those disabled persons are drawing compensation at the present time; and, of course, we will increase that compensation.

Mr. GLEASON. Of course, if it is peacetime disability they don't draw the same rate as wartime disability, Mr. Chairman. And what we are trying here to do is to reopen it principally for those wartime veterans.

Senator LONG. Now, your proposal would, of course, not insure veterans who are called back to duty. While they are on duty they would not be insured under this proposal, as I understand it.

Mr. GLEASON. That is correct, sir.

Senator LONG. It has been pointed out that this would tend to create an inequity where a veteran has the right to be insured or is insured and is called to active duty and goes back on inactive duty thereafter. It has been recommended that there should be a period of time of at least 120 days during which he could reinstate his policy.

Do you have any objection to that modification of your position?

Mr. GLEASON. For 120 days?

Senator LONG. Yes.

Mr. GLEASON. Mr. Chairman, your question was posed to the man who was called back to active duty?

Senator LONG. Here is the question. What if he is called back in and he is discharged after the 1-year reopening period?

Now, he can't get the insurance while he is in the service.

Mr. GLEASON. No; but if he has had it before he goes in——

Senator LONG. Yes.

Mr. GLEASON (continuing). And he is in for over 31 days, and after 8 months or 10 months or a year he is discharged, then he has 120 days within which to apply for reinstatement in the program.

Senator LONG. If he had it before he went in?

Mr. GLEASON. Yes, sir.

Senator LONG. Suppose he is called into the service either before the year commences or during the reopening year after only 2 or 3 months have run. He can't get the insurance while he is in the service. Would you have any objection to his being entitled to take it out after going off active duty?

Mr. GLEASON. If he is called in after the bill became law, we will say it is only 3 weeks after, I am sure everyone would advise him to take it out. Then it is true it may be only good for 31 days, but he has had it and he would be able to reinstate it at the end of the period.

Senator LONG. My guess is that the average fellow who got a notice that he is being called back to service is not going to take out an insurance policy. He knows that the insurance policy cannot be in effect while he is in the service. It seems to me that he ought to at least have a chance to take it out after he comes out.

Mr. GLEASON. Well, most of the organizations have special service officers, and this is one thing I would presume they would be very interested in passing on.

Senator LONG. I believe those are all the questions I have to ask for the moment.

Senator Douglas?

Senator DOUGLAS. First, may I say, Mr. Chairman, we are very proud of General Gleason, who is a distinguished Illinois citizen. He made a very fine war record and made a splendid record in the field of finance and as national commander of the American Legion. I am greatly pleased you have reversed the previous position of the Veterans' Administration in connection with Senator Long's bill.

I have always supported that bill and I believe it to be basically sound.

As I understand it, the Government has never lost any money on veterans insurance.

Mr. GLEASON. That is correct, sir, except as to the cost of extra hazard risks which the law requires the Government to bear.

Senator DOUGLAS. Because even in periods of war the mortality tables were more favorable than the mortality tables which the private insurance companies used, based on civilian experience in previous years.

I wondered if either you or any of your staff could tell us what the period of time is that the private companies use for their experience tables in connection with life insurance.

Mr. GLEASON. Mr. Poissant probably could.

Mr. POISSANT. Right now, sir, they are using a table covering an experience from the years 1950 through 1954. The table is known——

Senator DOUGLAS. I am thinking of the private companies.

Mr. POISSANT. Private companies; that is right.

Senator DOUGLAS. Are using 1950-54?

Mr. POISSANT. It is known as the 1958 commissioners' standard ordinary table.

Senator DOUGLAS. Prior to that?

Mr. POISSANT. Prior to that they were using the 1941 commissioners' standard table and prior to that they were using the old American experience table.

Senator DOUGLAS. 1867?

Mr. POISSANT. 1868.

Senator DOUGLAS. In other words, they are beginning to catch up with time, too. [Laughter.]

But in spite of this the higher cost of soliciting business, collecting premiums, and general overhead caused the loading on the private policies to be appreciably in excess of your administrative costs; isn't that true?

Mr. GLEASON. True.

Senator DOUGLAS. And therefore you can furnish a self-supporting system at lower cost to the veteran than the private companies can do.

Mr. GLEASON. That is correct, Senator.

Senator DOUGLAS. Well, I think Senator Long deserves a great deal of credit for what he has been doing in this field. I think you know some of our difficulties in connection with this matter. The chairman of the House Veterans' Committee, who has a very fine war record and is in many respects, I think, a very fine public servant, has always been opposed to this national service life insurance extension, and I have been a little bit afraid that if this is taken as a separate bill, even though the Senate would pass it, as it has done in the past, that it would meet an untimely death over on the House side.

I would like to ask my temporary chairman here, what is your intention, Mr. Chairman?

Are you going to propose this as a separate bill now?

Senator LONG. Well, if I were testifying, I would hope that we could get some understanding from the House that this matter will be permitted to come to a vote. I personally would be reluctant to agree to separate the two proposals unless and until the House can give us some assurance they are going to let this matter be voted on. I am hopeful, with the support of the Veterans' Administration, Mr. Gleason and, perhaps, with the help of the President, we can persuade the House to at least let this matter come to a vote.

As the Senator from Illinois so well knows we just can't keep this thing from coming to a vote. The Senator from Illinois has repeatedly come up with something that a lot of people wouldn't like to come to a vote but we couldn't do it with the procedure that makes it possible to offer amendments on the floor.

Senator DOUGLAS. Is it not true that each side has the other in chancery, so to speak?

They want to pass a veterans benefit bill and we want to pass the veterans life insurance extension bill and if we joined them together, they take the position they will not pass the veterans life extension.

We take the position these are Siamese twins of which the umbilical cord cannot be cut or it will cause death to both. And so we are stymied, is that correct?

Senator LONG. I personally would like to see both bills pass.

Senator DOUGLAS. You are not proposing to consider S. 3289 separately, are you?

Senator LONG. Right now we are talking about S. 3289.

Senator DOUGLAS. Yes.

Senator LONG. Yes.

Senator DOUGLAS. Perhaps I shouldn't discuss tactics publicly.

Senator LONG. So far as the legislative procedure to get it to a vote, that is something we will have to explore hereafter. At the moment I would say to the Senator from Illinois that we are discussing the merits of the legislation and the position of the administration with regard to it.

Senator DOUGLAS. And not parliamentary tactics.

Senator LONG. I might say one of the excuses for not permitting this matter to come to a vote previously has been that the administration has not been in support of it.

Senator DOUGLAS. I think this is a great step forward and I want to congratulate Mr. Gleason and the administration. I think it is a very happy indication of the cooperation which I believe always should exist between the Senate and the White House.

Senator LONG. Senator Curtis?

Senator CURTIS. Do I understand that the Veterans' Administration is supporting S. 3289 as written?

Mr. GLEASON. No, sir, we have offered a draft of our own bill which embodies a great deal of S. 3289, and we hope that this committee will take it under advisement.

Many of the differences between our bill and S. 3289, Senator Curtis, are very minor. We have inserted in the record for the information of the members of the committee a comparison of the administration bill and S. 3289.

Senator CURTIS. On what points does the Veterans' Administration have a different position now than they had a year ago?

Mr. GLEASON. Well, everything, because a year ago the Veterans' Administration opposed the enactment of any bill.

Senator CURTIS. But the changes you are proposing now you classify as minor?

Mr. GLEASON. Yes, sir.

Senator CURTIS. That is all, Mr. Chairman.

Senator LONG. Senator Gore?

Senator GORE. Mr. Gleason, do you not believe in private enterprise?

Mr. GLEASON. Yes, sir, I certainly do.

Senator DOUGLAS. I may say he is a very successful practitioner of private enterprise, one of the leading vice presidents of the First National Bank.

Senator GORE. Then how is it that you bring us this astounding example showing that some agency of the Government can find something which it can do as economically as private enterprise?

Mr. GLEASON. Well, Senator, I personally believe that an injustice was done to the veterans of World War II and Korea by the sudden cutoff of the right to obtain national service life insurance.

Senator GORE. You need not undertake to convince me of the merits of the bill. Senator Long did that some time ago.

Will you respond to the question?

How is it that you have been able to find something which a Government agency can do with approximately the same efficiency and economy as a profitmaking organization?

Mr. GLEASON. Senator, you may not be aware, but the insurance program that the Veterans' Administration operates is actually the third largest life insurance company in the world, and we are——

Senator GORE. And you operate it efficiently?

Mr. GLEASON. We believe so, sir.

Senator GORE. And economically?

Mr. GLEASON. We hope so.

Senator GORE. Do you realize this is heresy in certain quarters? [Laughter.]

Mr. GLEASON. I hope that it won't be heresy in this instance, Senator, because the individuals themselves will be paying for the administrative costs and there will be no subsidy required by the U.S. Government.

Senator GORE. Well, you know we have a bill before the Senate now which undertakes to create a private corporate monopoly and delegate to it the responsibility and privilege of being the agent of the U.S. Government in the negotiation of multilateral international agreements. One argument I have heard in favor of this arrangement is that only can private industry, only can free enterprise perform such an undertaking efficiently, economically, and with dispatch.

You astound me with this story you tell.

Mr. GLEASON. Senator, I would like to extend an invitation to you to visit the Veterans' Administration, I think I could astound you further.

Senator GORE. I would like to extend to you an invitation to come to the Senate gallery the next time we start debating the communications satellite bill.

Mr. GLEASON. I don't know what good it will do you but I will be there.

Senator GORE. All right, I will buy your lunch if you will come and listen.

Mr. GLEASON. OK, I will come.

Senator GORE. Listen to either Senator Long or me. I don't want you to listen to the other side.

Mr. GLEASON. Don't get the Senator involved here. [Laughter.]

Senator GORE. I really want to congratulate Senator Long for the long and determined, and I think now nearly successful fight that he has waged. I join with him wholeheartedly and congratulate you upon taking this independent point of view, and representing the public interest despite your prior predilections.

Mr. GLEASON. Thank you, sir. [Laughter.]

Senator DOUGLAS. Mr. Chairman.

Senator LONG. My understanding is that at age 25, the rates that you would anticipate would be about 37 percent of the average for private insurance companies.

It would appear to be slightly more than 40 percent of the average rates for private insurance companies at age 35; at 45 it would appear to be perhaps 55 percent of the rates with the private companies.

Mr. GLEASON. I couldn't say, Mr. Chairman.

I haven't seen that. Is that right?

Mr. POISSANT. That is right, sir.

Senator LONG. Yes. That is for 5-year term insurance. The difference between rates is not so striking when you look at the ordinary life policies. But for term insurance the policies that are available under VA are an extremely good buy.

I would like to ask about one or two other things. Why does not the administration proposal cover the totally disabled?

Mr. GLEASON. Pardon, sir?

Senator LONG. Why does not the administration proposal cover those who are 100-percent disabled?

Mr. POISSANT. Because of costs.

Mr. GLEASON. It would be astronomical if you would do this.

Senator LONG. Is that correct?

Mr. KNAPP. Mr. Chairman, if the veterans are totally disabled when you issue the insurance they would immediately become eligible for waiver of premiums for total disability, which would lead ultimately to free insurance and somebody would have to bear the costs, so the Government would have to subsidize it.

Senator LONG. Suppose you had no waiver of premiums? In other words, suppose a man who is totally disabled and drawing compensation and perhaps having certain other income, wanted to take out a policy on his life. Why would you feel that he should not be permitted to be insured on the same basis or a similar basis to what you recommend for those with disabilities less than total?

Mr. GLEASON. One of the reasons, Senator, is the compensation that is payable on death because if he is 100 percent disabled his death is probably, in most cases, service connected.

Senator LONG. So you feel that his widow and children would draw payments from the Government because his death would be regarded as having been attributable to his service connected injury?

Mr. GLEASON. That is correct.

Senator LONG. Could it be otherwise? Suppose he was killed in an automobile accident or an airplane crash.

Mr. BRICKFIELD. I think, Senator, the premium tables worked out show that there would be a certain rate for people who aren't disabled and then a higher rate still for those who are disabled. But when you get into the 100 percent disability class, my understanding is that the rates would become prohibitive and, really beyond that which are reasonable. And that is the reason for excepting the 100 percent disabled.

Senator LONG. I am not asking this because I necessarily take issue with you on it. I want the answer because someone may attempt to say this bill is not a good bill because it fails to take care of those who are 100 percent disabled.

As a matter of fact, when I started fighting this battle for veterans insurance, those who were opposed to it started saying they were against it because it didn't look after the disabled.

I didn't know just how to answer that problem so I didn't attempt to settle that one. I thought, let's see if we can pass the initial bill. If we can pass that then let's consider the problem of the disabled.

But those opposed to it over on the House side started making speeches in the record saying they were against it because it didn't take care of the disabled. If we are going to be met with that kind of argument, I just want to know what the answer is if you do not propose to insure those who are 100 percent disabled.

If you would care to submit us a memorandum about that matter, I would be glad to place that in the record of the hearings.

(The memorandum referred to follows:)

The inclusion of the totally service disabled in an insurance program which provides premium waiver for total disability would tremendously increase its cost. It is extremely doubtful that the rates proposed in the administration bill for the less than totally disabled would be adequate if the totally disabled were included.

Eliminating the total disability premium waiver benefit would reduce the cost somewhat but it would appear rather inconsistent to make such benefit available to those less than totally disabled and deny it to the fully disabled.

Senator LONG. Now, why do you feel that all forms of NSLI should be nonparticipating?

Mr. GLEASON. Otherwise this is just returning to the veteran an overpayment of insurance, and the administrative cost to the Government would be eliminated this way, sir.

Senator LONG. You feel it would substantially reduce the administrative costs to do it that way?

Mr. GLEASON. Yes, sir.

Senator LONG. I see.

Would the Veterans' Administration object to giving to a man who would have been eligible for reopening but who was called into the service during the reopening year 120 days following separation to take out NSLI?

Mr. GLEASON. If he is already in service, Senator?

Senator LONG. Well, answer it however you want to, Mr. Administrator, but what I mean is this: If a man would have been eligible to take out NSLI during the reopening period but has been called back into the service during that period, would you have any objection to giving that man 120 days after his termination of service to take out the NSLI?

Mr. GLEASON. Well, Senator, I think it gets back to our previous discussion that the man should take out the insurance before he is actually inducted on his recall. And then he would be eligible for 120 days following discharge.

Senator LONG. If we could be sure that the service induction officers were going to make the point to him that he had better speak up now or forever hold his peace—

Mr. GLEASON. I think this is something we have to work out, certainly with the various branches of the Armed Forces, Senator.

Senator LONG. It seems to me that if you are going to give a man a year during which he has the opportunity to exercise this privilege, then, I think every veteran should exercise it. I don't have the insurance; I am like a great number of others I know. I said at the time I got out.—I heard all this talk about socialism and Government activity and one thing and another—that I was tired of having anything to do with the Government. I wanted to be rid of them once and for all and get as far away from the Government as I could after being in the service 3½ years and I said, "Just leave me alone." I just took out private insurance and later on I found out I could have obtained a Government policy at a fraction of the cost of the private insurance. I still would have bought private insurance.

My wife is hoping this bill passes so I can take out more insurance, and I suppose I will. A lot of veterans are like that, too. If a veteran has a year to take this insurance out, and when 3 months of his year

are gone he is called in the service through no request of his own, wouldn't it seem fair to you that he should have at least a few months during which he should consider taking it out or at least some portion of that 9 months that was left to him to make that decision?

Mr. GLEASON. We would hope that by that time, Senator, that he would have been notified by the Veterans' Administration of his privilege to take it out, and with all of the news media concerning this particular bill, if and when it passes, I am sure that they would know about it, and he would be able to exercise his right to apply for insurance prior to his induction.

Senator LONG. Well, now, one other question, Mr. Gleason. I couldn't get the answer I was hoping you would give me, but I believe you have given the answer that you propose to give, so let's go further.

Are there any further questions of the Administrator?

Senator DOUGLAS. There is one fact I would like to have put into the record, if anyone of these gentlemen could tell me, and that is, What is the percentage which administrative costs form of veterans insurance? What percentage do you load on for the administrative costs?

Mr. GLEASON. Right now, Senator?

Senator DOUGLAS. Yes.

Mr. GLEASON. We don't have any loaded in at all, Senator.

Senator DOUGLAS. I know.

But in the past what has it been?

Mr. GLEASON. We don't have any. Because under the original contract with the veterans, the U.S. Government bore the administrative costs.

Senator DOUGLAS. What is your estimate of what the administrative costs would be under this bill?

Mr. GLEASON. About \$5 per person, Senator.

Senator DOUGLAS. What percentage of premiums?

Mr. GLEASON. Well, this would depend upon their age, Senator, so that I couldn't actually give you this.

Senator DOUGLAS. I wonder if we could get a comparison of the administrative costs under VA and private companies?

Mr. GLEASON. We could certainly supply the committee with a schedule showing this, Senator.

(The schedule referred to follows:)

Ratio of operating expenses to total income—U.S. life insurance companies

Year:	Ratio (percent)	Year—Continued	Ratio (percent)
1915.....	16.7	1938.....	13.9
1916.....	17.2	1939.....	14.0
1917.....	17.3	1940.....	13.9
1918.....	18.1	1941.....	14.0
1919.....	19.5	1942.....	13.9
1920.....	21.0	1943.....	13.6
1921.....	19.4	1944.....	13.5
1922.....	18.8	1945.....	13.7
1923.....	19.1	1946.....	15.7
1924.....	19.1	1947.....	17.1
1925.....	19.1	1948.....	17.0
1926.....	18.7	1949.....	17.0
1927.....	17.8	1950.....	16.8
1928.....	16.9	1951.....	16.3
1929.....	17.1	1952.....	16.6
1930.....	16.5	1953.....	16.9
1931.....	14.9	1954.....	16.9
1932.....	14.4	1955.....	16.7
1933.....	13.4	1956.....	17.2
1934.....	13.9	1957.....	17.8
1935.....	14.0	1958.....	17.9
1936.....	13.8	1959.....	17.6
1937.....	14.2	1960.....	17.7

NOTE.—VA administrative cost is about 5 percent of average premium.

Sources: Institute of Life Insurance and Spectator Year Book. The figures represent the ratio of commissions and insurance expenses (such as agency expenses, home office salaries, medical fees and rents) other than taxes, to premium, net investment, and other income. Beginning with 1940, net investment income is before Federal income taxes. Before 1947, accident and health business of life companies was not included.

Senator LONG. As I understand it you estimate a cost of \$5 per policy per year?

Mr. GLEASON. That is correct, sir, according to our estimates on currently available data.

Senator LONG. That is for administration?

Mr. GLEASON. That is right.

Senator LONG. If the number of policies proves to be a substantially larger number than you estimated, would you have reason to believe that that \$5 per policy cost might be less than that?

Mr. GLEASON. Well, this is difficult to say, Mr. Chairman. If we had to employ more people to take care of the additional policies, then we would have to wait and see.

Senator LONG. Well, you bankers have been able to cut administrative costs by these automatic machines. I should perhaps say we bankers, because I am at the moment on the board of a bank, Mr. Gleason. It does seem that with mechanization, computing machines, and things of that sort that are being developed, it might be possible to reduce the second and third year costs.

The first year costs, of course, would require that a person come in and make application for the policy and submit evidence of insurability. But thereafter it seems to me that the costs might come down.

Mr. GLEASON. Well, Senator, I really couldn't say for sure until we actually have the experience because one thing I want to be sure of is that none of the administrative costs are borne by the Government.

Senator LONG. Right. Now, you were suggesting a year to get organized to put this reopening into effect. Don't you really think that you could get the wheels moving in time to start offering this insurance to veterans 6 months after the effective date?

Mr. GLEASON. Well, we might, Senator. We would prefer a year, if we could, because there are a number of factors to be studied, the printing of the policies and forms, and everything else, and when you are dealing with 16 million possible or potential applicants for insurance we would like to be sure that everything goes smoothly. When the opening date arrives, we would have had to hire and train a great many people and their number would depend upon the extent to which the administrative load would increase.

Senator LONG. I know that is all true. If you were a candidate for office—and I know you would be a good one because you have been successful in everything else you have been in—I believe you were commander of the American Legion at one time, were you not?

Mr. GLEASON. That is correct, sir.

Senator LONG. I don't think it would take you too long to get forms printed up to let the public know what your position on a particular matter was, and it seems to me that this thing should be capable of being initiated within 6 months after the effective date.

I would certainly hope that you wouldn't have to keep people waiting much longer than that.

If there are no further questions then—

Senator DOUGLAS. Mr. Chairman, I have a question.

I don't want to be persistent but I would like to get these figures in percentage terms.

You say you estimate \$5 per person administrative costs.

Mr. GLEASON. Yes, sir; per policyholder, Senator.

Senator DOUGLAS. Per policyholder. Now, that is true on ordinary life as well as on 5-year term?

Mr. GLEASON. Yes, sir.

Senator DOUGLAS. Now, do I understand then that in ordinary life this would range from 2 to 5 percent of the premium payments each year?

Mr. POISSANT. Our average premium per policyholder, Senator, is about \$100 so that \$5 would be about 5 percent.

Senator DOUGLAS. Five percent.

Mr. POISSANT. I think you want—

Senator DOUGLAS. This is true for the term as well as for the life?

Mr. POISSANT. No; this is the average term and permanent plans combined. It would be considerably lower on term than on permanent plan naturally.

Senator DOUGLAS. DOUGLAS. So that you are estimating a 5-percent administrative cost. Is that a rather firm estimate?

Mr. POISSANT. I understand you would like a rather firm estimate?

Senator DOUGLAS. Yes.

Mr. POISSANT. Well, it is going to be predicated, of course, on a lot of studies we are going to have to make, if and when this bill is passed. Our present Department of Insurance expense is a little bit under \$4, and we have to load it for contingencies and for acquisition costs and one thing and another, so that the average for the next 5 years might readily be \$5, I believe; not much less.

Senator DOUGLAS. Do you know what the administrative costs on private insurance would be, the average?

Mr. POISSANT. Yes; those figures are available in the life insurance fact book, for all companies combined and it varies greatly among all companies, it is about between 18 and 20 percent of the premium.

Senator DOUGLAS. Eighteen to twenty percent?

Mr. POISSANT. Of the premium. But there is a great variation among individual companies.

Senator DOUGLAS. You are speaking of life?

Mr. POISSANT. Ordinary life insurance; yes.

Senator DOUGLAS. This is true on group life?

Mr. POISSANT. No; this would be ordinary, not group.

Senator DOUGLAS. Group life would be lower?

Mr. POISSANT. Yes.

Senator DOUGLAS. Do you remember what group life would be?

Mr. POISSANT. I don't think that I have the figures, I don't think they are readily available.

Senator DOUGLAS. I will suggest 13 percent, do you think that is true?

Mr. POISSANT. Thirteen?

Senator DOUGLAS. Thirteen.

Mr. POISSANT. It could well be in that area. I don't know for sure.

Senator DOUGLAS. It is important to get these cost figures, because they are at the basis of this whole question and I wondered, Mr. Chairman, if they would be willing to supply for the record figures on comparable administrative costs taking care to conceal the identity of any companies.

Mr. GLEASON. We would be happy to do it, Senator.

Senator DOUGLAS. Thank you, Mr. Chairman.

Senator Long. Well, we thank you very much, Mr. Gleason and your assistants, both for your testimony and for your support of this effort to reopen national service life insurance for veterans who missed the opportunity.

Is there a representative of the Bureau of the Budget here?

Do you have a prepared statement, sir?

STATEMENT OF PHILLIP SAMUEL HUGHES, ASSISTANT DIRECTOR OF THE BUREAU OF THE BUDGET FOR LEGISLATIVE REFERENCE

Mr. HUGHES. I do not, Mr. Chairman. I have before me the letter to which you just referred.

Senator LONG. I have already had that printed in the record.

Mr. HUGHES. Fine.

Senator LONG. As I understand the position of the Bureau of the Budget, it is that while the Bureau does not feel that this legislation is necessary, it has no objection to it?

Mr. HUGHES. Yes, sir; that is correct.

Senator LONG. If Congress sees fit to enact it.

Mr. HUGHES. That is correct.

Senator LONG. I have no further questions to ask.

Senator DOUGLAS. Is this Mr. Hughes?

Mr. HUGHES. Yes.

Senator DOUGLAS. Do you submit this statement?

Mr. HUGHES. Senator, this is a letter from the Director of the Bureau of the Budget which has been transmitted to the committee or was transmitted on June 27, and I have no prepared statement.

I would be glad to be of any help I could to the committee in this connection.

Senator DOUGLAS. I always ask undiplomatic questions. I had occasion to glance at this letter which indicates to my mind it is a very careful study in ambiguity. You say on the one hand that you opposed the bill in the past, and that you don't see any reason to change your mind in the present, but that you would not object to the matter being reopened or, which this does, or the bill being passed, is that right?

Mr. HUGHES. Well, we had not intended the letter to object—

Senator DOUGLAS. Does this mean you have swung from a position of opposition to neutrality?

Mr. HUGHES. I think our position essentially, Senator, is as Senator Long described it. We have opposed the legislation heretofore.

Senator DOUGLAS. Yes, we are aware of it.

Mr. HUGHES. Our present position is that we do not oppose the legislation. While it is not our judgment that the Government has an obligation to do this, we do not object to the enactment of a bill along the lines that the Administrator of Veterans' Affairs suggested as a substitute for Senator Long's bill or an amended version of Senator Long's bill.

Senator DOUGLAS. As I remember "Dantes Inferno," some of the first people that Dante met when he was accompanied by Virgil to the nether world were the neutralists, those who would not take a position on issues and who dwelt in the gray twilight which knew neither victory nor defeat.

So, I take it you have joined the ranks of the neutralists and you have in this twilight zone neither for nor against.

Mr. HUGHES. Senator, about all I can do is repeat what I have said. We do not object to the legislation in the form that Mr. Gleason suggested.

Senator DOUGLAS. I do not want to make your testimony difficult but I was trying to find out really where you stood, and I take it you are not going to oppose the legislation.

Mr. HUGHES. That is correct.

Senator DOUGLAS. Well, Senator Long, you have great powers of persuasion. You have converted the Veterans' Administration from opposition to advocacy, and you have cooled off the Budget Bureau. I want to congratulate the Budget Bureau, too.

Senator LONG. If we can just prevail upon the House to have a vote upon this measure, I think the measure will pass now, but that hurdle remains.

The fact about the matter is, I would say to my distinguished friend from Illinois, I could never understand why the Bureau of the Budget has testified contrary to the bill because the President of the United States had been a sponsor of it at the time he was a Member of the Senate. I felt there was just a certain amount of inertia from the time a new administration takes over until the word gets down to some of those who speak for him that the President is for the bill. I believe that if it goes to his desk he will sign it.

Senator DOUGLAS. I dare say this has been called to their attention.

Senator LONG. I would hope so, because we today have a bill that the Bureau of the Budget does not object to, that the Veterans' Administration supports.

Thank you very much.

Mr. HUGHES. Thank you, sir.

Senator LONG. Today we are hearing only administration witnesses, presuming that for the most part those who had previously testified will testify to a position parallel to what they have stated prior to this, and also because of the shortage of time available to the committee to conduct hearings with the workload we have.

I would like to offer for the record a statement by Mr. John J. Corcoran, National Rehabilitation Commission of the American Legion, which I believe Mr. Corcoran would have presented here had he testified today.

Mr. Corcoran is present, and this is his prepared statement. I would like to ask it be printed in the record at this point.

(The statement referred to follows:)

STATEMENT OF JOHN J. CORCORAN, DIRECTOR, NATIONAL REHABILITATION COMMISSION, THE AMERICAN LEGION BEFORE THE COMMITTEE ON FINANCE, U.S. SENATE, ON S. 3289 AND OTHER PROPOSALS TO REOPEN THE NATIONAL SERVICE LIFE INSURANCE PROGRAM, JULY 9, 1962

Mr. Chairman and members of the committee, we appreciate this opportunity to again present to this committee the views of the American Legion on S. 3289 and other pending proposals to reopen the national service life insurance program for a limited period.

One of the American Legion's primary objectives for the past 11 years has been to restore, for a limited period, the right for insurable and service-disabled veterans of World War II and of the Korean conflict to acquire national service life insurance, up to the maximum of \$10,000.

We were last privileged to appear before this committee on July 9, 1961, to testify in support of pending legislation to reopen the NSLI program and other insurance proposals. At that time, we also submitted for the record a copy of the statement of Mr. Robert M. McCurdy, of Pasadena, Calif., chairman of our National Rehabilitation Commission, made before the House Committee on Veterans' Affairs, June 14, 1961. Through incorporation by reference, we ask that those statements of June 14 and July 6 be made a part of this hearing in the interest of conserving your time.

WHY THE AMERICAN LEGION SUPPORTS REOPENING

Briefly stated, the American Legion is asking that the NSLI program be reopened for 1 year for insurable and service-disabled veterans of World War II and of the Korean conflict. Because the membership of the American Legion is limited to those who served during periods of actual hostilities, our proposal specifies the inclusive dates of December 7, 1941 to September 2, 1945, and June 27, 1950, to July 27, 1953. Of course, we have no position opposing a broadening of the eligibility dates, as suggested in S. 3289.

The insureds would pay the administrative costs as determined by the Veterans' Administration, to be added to the regular premium for the new insurance; therefore, there would be no cost to taxpayers.

The Veterans' Administration estimates that approximately 16 million veterans would be potentially eligible for this insurance. As far as this program is concerned, time is rapidly running out for these veterans. If anything is to be done the time is now. In 1951, when the NSLI program was abruptly discontinued, the average World War II veteran was 31 years of age. At that time, he could have purchased a \$1,000 NSLI policy on the ordinary life plan at a net annual premium of approximately \$13.33. Today, 11 years later, at age 42, this same coverage would cost \$20.92. If reopening is delayed much longer, the cost of NSLI will become too expensive for the average veteran to purchase.

In fact, time has already run out for the over one-half million veterans who died between the years 1951 and 1961. Over 400,000 of these deaths were not covered by any form of Government insurance. Of the approximately 100,000 deaths that did leave some insurance for the protection of their widows, minor children, and dependent parents, the vast majority carried less than \$10,000, the maximum amount allowable. Approximately 44,000 veterans of the Korean

conflict died over this same period and of this number only about 6,000 carried Government insurance at the time of death. Because the large majority of these veterans were deprived of the right to contract with their Government for a policy of life insurance at a premium they could afford to pay, many of their widows, orphans, and dependent parents are now faced with serious financial problems that could have been somewhat easier if some insurance were payable.

According to statistics contained in VA Research Monogram No. 5, July 1961, pages 2 and 7, 92.2 percent of all living veterans of World War II are married or have other dependents. Veterans between 30 and 44 years of age (58 percent of the total veteran population) have the largest families. Almost 70 percent have at least two children under 18 years of age, and 38 percent have three or more. This age group represents the bulk of the World War II and Korean veteran population. We believe that it would be in the interest of equity to give these veterans an opportunity to purchase NSLI or bring their existing protection up to the maximum amount allowable for the protection of these dependents. We have no way of knowing how many of the World War II and Korean conflict veterans who died over the past 11 years would have purchased national service life insurance or brought their existing protection up to the maximum, if such right had existed. We do know, however, that at the time this right was discontinued, these veterans were just reaching the time of most need, and the age in which they would have become most insurance conscious. According to information published by the Life Insurance Agency Management Co., 42 percent of all ordinary life insurance policies written in the year 1959 were on the lives of persons between the ages of 25 to 44. The largest amount of insurance (63 percent) was written between these ages.

There are many reasons why so many veterans of World War II permitted their insurance to lapse at time of demobilization or shortly thereafter. Some of the reasons were due to administrative difficulties experienced by the Veterans' Administration because of the rapid and unprecedented demobilization, with the resultant inability to promptly and fully advise these veterans so that they could act in time to maintain their insurance protection. Other veterans were improperly advised at the time of separation from the service, while some simply could not afford the insurance due to economic hardship during the readjustment postservice period. They were reestablishing their families, completing their education, and trying to find jobs. We believe a great many of these veterans allowed their insurance to lapse simply because they were too young to appreciate its value. This is not an unusual circumstance. According to Mr. W. T. Scully, Southwestern Life, Sherman, Tex., in an address to the July 1961 meeting of Austin Association of Life Underwriters (as reported in the National Underwriter Magazine, Aug. 5, 1961), this condition continues to exist today in the younger age group. Mr. Scully stated in part: "* * * Young men are particularly difficult to sell because they can't visualize themselves dying too soon or living too long."

Veterans of the Korean conflict, for the most part, found that the 120 days allowable in which to purchase the nonparticipating, nonconvertible type of insurance then available were insufficient. Some did not enjoy even 120 days, depending upon the date they were separated from the active military service. Those who remained in the service beyond December 31, 1956, were barred from securing any Government insurance upon separation unless they could establish service connection for a disability.

Reopening the right for these war veterans to obtain national service life insurance protection or to bring their existing contracts up to the maximum amount allowable, for a limited period, would not have the effect of continuing the Government in the insurance business beyond the duration of the existing program. The veterans who would be eligible for new policies are in the same age categories as existing policyholders.

We do not believe that the reopening of the NSLI program for a limited period would place the Government in unfair competition with commercial life insurers, but rather it would serve as a stimulus to the industry. According to a spokesman for the industry, Mr. W. D. Grant, president, Business Men's Assurance, in an address to the Financial Analysts Society of San Francisco, as reported in the October 14, 1961, edition of the National Underwriter Magazine, the life insurance business in the United States has been growing at about twice the rate of the Nation's economy, and eight times as fast as the population. Life insurance in force at the end of 1960 was \$618 billion. This is 60 percent more than 5 years previous. At the same time, the gross national product increased 27 percent to \$503 billion. In our opinion these figures establish that the size and strength of

the insurance industry is such that it would not be jeopardized by a limited reopening of the right for veterans to pick up their NSLI. The total life insurance in force at the end of 1961 totaled \$714 billion. Of this amount, \$419 billion was ordinary insurance. As a matter of fact, many successful life insurance agents tell us that reopening NSLI for a limited period would be good for their business as it would expose to them a new source of future prospects. This certainly was their experience in the post-World War II era.

The American Legion is not asking for a new right but only restoration, for 1 year, of the right earlier available but abruptly terminated. Only those in good health (except for service-incurred disabilities) would be eligible for new insurance with an overall limit of \$10,000 coverage, and with administrative costs to be borne by the insured. We believe that it would be simple justice to restore to these veterans of World War II and of the Korean conflict the right that previously obtained to pick up their NSLI for a limited period of time.

COMMENT ON PENDING PROPOSALS

The NSLI reopening bill which represents the current American Legion position, as established by our national convention, is H.R. 11268. We wish to state that, although it varies in some respects, S. 3289, too, would satisfy the basic objectives of our request.

We understand that, on June 27, 1962, the Deputy Administrator of the Veterans' Administration transmitted to the Congress a draft bill containing suggested amendments to S. 3289. That draft bill was introduced in the House of Representatives as H.R. 12333. With the committee's permission, we will comment upon the VA draft bill.

Section (a) of the VA draft bill would preclude the issuance of insurance to persons in the active military service. Further, under this subsection, such persons would be ineligible to apply for insurance if they are separated from active service after the reopening year. It appears to the American Legion that this would work a hardship upon those affected, especially upon persons called to active duty during an emergency and subsequently released at the convenience of the Government. We would prefer to see a provision which would grant those persons an extension of time, of not less than 120 days after separation from active service, in which to apply for this insurance, regardless of the date the separation occurs.

With reference to the VA draft bill provisions relating to the service disabled, we understand that the establishment of service connection (for a disability for which compensation is or would be payable of 10 percent or more in degree and while less than totally disabling) is needed to qualify for this insurance. It is further understood that in order for such insurance to be completely self-supporting the premium rate structure will be based upon the American experience mortality table (the gross rate presently charged for V- and H-type NSLI issued veterans of World War II). It is also understood there will be an additional charge to cover the administrative cost.

We anticipate that, under these circumstances, the premiums charged might substantially exceed the costs incurred. The American Legion feels that the Government should not make a profit on the insurance program. Therefore, we would prefer that the insurance be made participating or that the Administrator of Veterans' Affairs be empowered to reduce the premium rates, at intervals of not less than 5 years, if death and disability claims experience justified such action.

The American Legion would also prefer that insurance issued to insurable veterans be on a participating basis. We believe that prudent management of an insurance program which is to be completely self-supporting would result in a loading of the premium rate to cover the unknown. It therefore follows that the estimated cost of liabilities would be somewhat excessive to make sure that the charge is sufficient to meet actual cost of claims. Again, under these circumstances, we would recommend that the insurance be participating or that the Administrator of Veterans' Affairs be empowered to reduce, at not less than 5-year intervals, premium rates on insurance issued to insurable veterans in the event the existing rate charged results in a substantial surplus accruing to the U.S. Treasury.

The VA draft bill suggests an effective date which would require a delay of 1 year before reopening the insurance program. This appears excessive to the American Legion. We would prefer that the effective date be 6 months after enactment.

May I close by again thanking the members of the Senate Finance Committee for their consideration in receiving the views of our organization.

Senator LONG. Furthermore, we have statements favorable to this legislation from the Veterans of Foreign Wars, the Disabled American Veterans; also from the American Veterans of World War II, sometimes known as AMVETS, and Blinded Veterans Association, supporting this legislation, and I would ask that their statements and their attachments be printed.

(The statements and attachments referred to follow:)

FAVORABLE STATEMENTS SUBMITTED FOR THE RECORD

Veterans of Foreign Wars.—"* * * not only endorses S. 3289 but urges that this committee and the Senate report and approve this bill at the earliest opportunity."

Disabled American Veterans.—"Suffice to say we do endorse and support S. 3289 and urge its early passage by the U.S. Senate."

American Legion.—"Briefly stated, the American Legion is asking that the NSLI program be reopened for 1 year for insurable and service-connected disabled veterans of World War II and of the Korean conflict."

AMVETS.—"* * * wholeheartedly endorse the provisions of S. 3289."

UNFAVORABLE STATEMENTS SUBMITTED FOR THE RECORD

The Chamber of Commerce.—"* * * urges your committee to reject the proposal contained in S. 3289."

National Association of Life Underwriters.—"In conclusion, we hope that despite your committee's previous favorable attitude toward NSLI reopening legislation, you will now vote to reject S. 3289 or any amended or compromise version of this unnecessary, unwarranted and unfair bill."

VETERANS OF FOREIGN WARS OF THE UNITED STATES,
Kansas City, Mo., July 9, 1962.

Senator HARRY FLOOD BYRD,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR BYRD: Thank you for the invitation to present the views of the Veterans of Foreign Wars with respect to S. 3289.

The record of the Veterans of Foreign Wars for many Congresses with respect to reopening the national service life insurance program for a limited period has been unequivocally in favor of legislation to accomplish this purpose. The Veterans of Foreign Wars, therefore, not only endorses S. 3289, but urges that this committee and the Senate report and approve this bill at the earliest opportunity.

In the veteran community it is impossible to discuss reopening the NSLI program without discussing legislation which provides for a compensation increase for the service disabled. In considering the welfare of veterans, no legislation is higher than compensation for those veterans who were injured and disabled while on active duty in the Armed Forces. Many were struck down while on the field of battle. It has deeply disturbed the Veterans of Foreign Wars that these two issues have become interrelated and that an impasse has arisen because they have been joined together.

The bill before this committee, S. 3289, is the end result of a series of meetings of eight veterans' organizations, one being the Veterans of Foreign Wars. Representatives of these eight veterans' organizations have visited and consulted with each and every member of this committee this session. Commander in Chief Robert E. Hansen of the Veterans of Foreign Wars, as spokesman, and accompanied by representatives of the eight organizations, presented a joint petition to both yourself, as chairman of this committee, and Senator Russell Long, as the chief advocate of the amendment reopening the NSLI program. This petition, a copy of which is attached, spells out the views and reasoning of the Veterans of Foreign Wars respecting this impasse and our urgent plea to consider the compensation increase and reopening the NSLI program separately.

During the first session, on July 6, 1961, the Veterans of Foreign Wars presented to this committee a detailed statement of the reasons it has continuously supported legislation to reopen the NSLI program. There is no need to reiterate these reasons except to remind the committee that this proposal will not cost the Govern-

ment any additional money to administer since the premium payment will reflect an additional amount to take care of administrative costs. Additionally, it will not create a new benefit for veterans but revive a benefit which many believe was legislatively terminated without sufficient and adequate notice.

It is noted that the Veterans' Administration and the Bureau of the Budget are urging some modifications to this bill. These modifications are not opposed by the Veterans of Foreign Wars. S. 3289 with the suggested administration amendments is acceptable to the Veterans of Foreign Wars and the favorable reporting of this bill is urgently recommended. It is hoped that the Senate will agree with this recommendation and send this bill to the House where the same favorable treatment will be accorded to this bill on the House side.

The opportunity to express the views of the Veterans of Foreign Wars concerning this legislation is deeply appreciated. It is respectfully requested that if a hearing record is printed that this letter with attached petition be made a part thereof.

Sincerely yours,

FRANCIS W. STOVER,
Director, National Legislative Service.

BLINDED VETERANS ASSOCIATION,
Washington, D.C., July 10, 1962.

Senator HARRY F. BYRD,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.
(Attention of Senator Russell B. Long).

DEAR SIR: The Blinded Veterans Association continues to support the NSLI bill, S. 3289. Although, I would like to point out that some of our members will be discriminated against if the bill is amended in accordance with the recommendations of the Administrator of the Veterans' Administration, and it would be unfortunate indeed if it is accepted by your committee.

I would like to point out, most if not all, blinded veterans that were blinded outright during World War II and Korea already have NSLI. But, those who are now going blind (at the rate of 60 to 80 per year as quoted by the Veterans' Administration) as a result of old war wounds, like other veterans have allowed their insurance to lapse. If these men are not allowed to reinstate their insurance it will be a discrimination and the reason being, that these men lost their eyes for their country.

Upon the death of these men the widows and orphans will have a large cut in their income as the widows' pension or compensation is much less than that of the veterans' compensation. The blinded veteran without insurance really leaves his family at a great disadvantage.

Unlike the Administrator of the Veterans' Administration we do not believe adding 100-percent disabled veterans as participants in the insurance measure will add significantly to the insurance program. Most of the blinded veterans already have their insurance and, therefore, the number of men to be considered is small.

With the definition of blindness set at 20/200 carrying a rating of 70 percent, and 10/200 carrying a rating of 90 percent, these will be eligible.

We urge you to keep the bill uniform for all blinded veterans and for all veterans generally.

We again state we do not believe the overall cost of this is a significant amount and the cost can be absorbed in the overall program.

Sincerely yours,

GEORGE M. GILLISPIE,
Executive Director.

A PETITION TO THE HONORABLE HARRY F. BYRD, CHAIRMAN, AND TO THE
MEMBERS OF THE SENATE FINANCE COMMITTEE

As leaders of eight veterans' organizations, five of them chartered by Congress, we respectfully solicit your individual support in expediting the passage and enactment of H.R. 10743 as approved by the House of Representatives.

We speak as one in behalf of 2 million service-connected veterans who have already been deprived of more than \$80 million in compensation increases as a result of the congressional crossfire in which they have been caught for the past year.

We call attention to the fact that no substantial or meaningful opposition to these compensation adjustments exists in either House of Congress; indeed, earlier legislation was overwhelmingly approved no less than four times in each House during the first session of this Congress. The equity and justice of the legislation remains undeniable.

Yet this legislation has repeatedly failed ultimate passage because unrelated riders pertaining to the reopening of national service life insurance have been added to it in the Senate.

While we recognize the desirability of revising existing insurance limitations on their merits, we feel strongly that the compensation measure has an overriding priority on its own merits. We, therefore, ask for their separate consideration on that basis as the insurance issue is wholly irrelevant to the issue of granting cost-of-living increases in compensation for those who were disabled while serving their country.

We would be less than candid if we failed to reflect for you the frustration, disappointment, and vexation among our memberships over the past inability of Congress to put aside procedural emotions on an issue affecting the bread and butter of men who sacrificed health and limbs in wartime service.

We are not ourselves strangers to disagreement and competitive spirit either within our separate ranks or among our several organizations. Yet it is the measure of our alarm and deep misgivings that we have put aside all differences in this instance to unite in urging that the Congress do likewise on the question of increasing compensation for the disabled.

We appeal to each member of the Senate Finance Committee, through its distinguished chairman, whose integrity as a public servant through long years of devoted duty in the Congress is beyond challenge, to exercise his good offices to expedite the consideration of H. R. 10743 without the addition of the nonrelated provisions in the interest of justice for those in our ranks who have earned the right above all others to the gratitude of the American people.

Wm. F. Hughes, representing Blinded Veterans Association; Albert J. Sch——, representing Catholic War Veterans; Robert Cl——, representing Paralyzed Veterans of America; Francis R. Buono, representing Disabled American Veterans; —— P. Fijelski, representing AMVETS; Theodore Brooks, representing Jewish War Veterans; Edward J. Holiday, representing Military Order of the Purple Heart; Robert E. Hansen, representing Veterans of Foreign Wars.

DISABLED AMERICAN VETERANS,
July 5, 1962.

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

DEAR SENATOR BYRD: The Disabled American Veterans, an organization of wartime disabled veterans and chartered by the Congress, appreciates the opportunity to submit for the record this statement on S. 3289, introduced by Senator Russell B. Long and many cosponsors.

This proposed legislation, which has for its purpose the reopening of national service life insurance for a limited period under the terms and conditions stated therein, meets with the unqualified approval of the DAV and in that connection I wish to quote in part, as follows, from Resolution No. 57, unanimously adopted at our most recent national convention: "Now, therefore, be it

"Resolved by the Disabled American Veterans in national convention assembled at St. Louis, Mo., August 20-25, 1961, That we go on record as favoring legislation which will allow World War II and Korean veterans 1 year from the date of enactment of such legislation to purchase or reinstate their service insurance."

I might add that we are especially gratified that S. 3289 contains a provision protective of the rights of service-connected veterans who may seek to obtain insurance coverage under this bill and we extend our sincere thanks to all concerned in the earnest effort being made to insure that legislation to reopen NSLI will clear both Houses and be enacted into law this session of the 87th Congress. The merits of such a measure are recognized and obvious and we believe that the recently published reports of the Director of the Budget and the Administrator of Veterans' Affairs (Congressional Record for June 27, 1962) speak eloquently of the favorable attitude of the White House as to this important matter. Previous testimony of the DAV and many other witnesses on the general issues

involved would seem to render unnecessary undue repetition of the arguments advanced in favor of such legislation at this time. Suffice to say we do endorse and support S. 3289 and urge its early passage by the U.S. Senate.

Sincerely yours,

FRANCIS R. BUONO,
National Commander.

AMVETS,
Washington, D.C., July 9, 1962.

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

DEAR SENATOR BYRD: AMVETS wholeheartedly endorse the provisions of S. 3289 which would permit the reopening of national service life insurance by many veterans whose insurance has lapsed by reason of the abrupt effective date of Public Law 23 of the 82d Congress.

The provisions of this bill have been carefully drafted and AMVETS believe that its passage will be in the mutual best interests of our Nation and the thousands of veterans who would benefit by its passage, especially since all costs would be borne by those who reinstate their insurance.

Many reasons have been advanced as to why ex-servicemen allowed their national service life insurance policies to lapse after discharge and failed to reapply before the act of April 25, 1951. You will recall that when this act was approved the effective date was immediate rather than prospective. Less than 6 years had elapsed since the end of World War II and many veterans relying on the precedents set in the past believed that they would be able to apply at some future date when their readjustment to civil life had been completed. The immediate effective date of this act of April 25, 1951, closed the door for reinstatement of NSLI policies to this large group of veterans without prior warning.

World War II was a long-drawn-out affair for most of its veterans. It is not difficult to understand why these policies were allowed to lapse during this post-war period. Many veterans were too preoccupied with their readjustment and therefore failed to give the time and attention to such vital matters as insurance protection. Many more were struggling to obtain an education, living on subsistence allowances, and were unable to afford even this economical form of insurance. Others failed to realize that insurance coverage terminated with termination of premium deductions from service pay. Still more were unaware of the advantages of NSLI through lack of information or, in many instances, misinformation. Had the effective date of the act of April 25, 1951, been prospective, rather than immediate, say for example, with a cutoff date 2 years in the future, with sufficient warning and publicity, it is doubtful that AMVETS would at this time be supporting legislation to reopen the NSLI rolls.

If S. 3289 is enacted into law, it would be without ultimate material cost to the taxpayers of this Nation, although certain first-year costs would have to be advanced by the Veterans' Administration which would later be reimbursed.

Sincerely,

EDWIN P. FIFIELSKI, National Commander.

Senator LONG. There are unfavorable statements here from the U.S. Chamber of Commerce and from the National Association of Life Underwriters and I will ask those also be included for the record.

(The statements referred to follow:)

CHAMBER OF COMMERCE OF THE UNITED STATES,
Washington, D.C., July 9, 1962.

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

DEAR SENATOR BYRD: The Chamber of Commerce of the United States urges your committee to reject the proposal contained in S. 3289, to reopen national service life insurance to veterans whose insurability has not been impaired by service-connected disability.

The chamber believes that the proposal should be rejected for the following reasons:

1. Life insurance is available to veterans, as it is to all citizens, at a reasonable cost from over 1,400 taxpaying life insurance companies. These companies pay

about \$6 out of every \$100 of premium income in local, State, and Federal taxes and fees. In addition, thousands of life insurance agents are ready to counsel with the veteran on his life insurance needs.

2. The NSLI program is tax exempt. If its rolls are reopened, tax revenues at the Federal, State, and local levels would be reduced to the extent that veterans purchased NSLI in lieu of insurance from private companies.

3. Congress explicitly recognized the availability of life insurance from the private insurance industry at reasonable terms when it passed Public Law 23 in 1951 (82d Cong.), and Public Law 881 in 1956 (84th Cong.). The House Select Committee on Survivors Benefits, in its report in 1955 on H.R. 7089 (Public Law 881), had this to say on its decision to recommend the termination of the right of non-service-disabled veterans to buy special nonparticipating, non-convertible, 5-year-term NSLI:

"The committee sees no justification for continuing this provision of existing law, for in reality former servicemen can purchase commercial insurance of this nature at a rate approximately the NSLI rate for this type of policy and in some respects, under commercial policies, can secure a more desirable contract than is offered by the Government" (p. 14, pt. 1, H. Rept. 993, 84th Cong., 1st sess.).

4. The House Veterans' Affairs Subcommittee on Insurance, in 1953, 1955, 1958, and 1960, carefully considered and rejected proposals to reopen NSLI rolls.

5. The Bureau of the Budget and the Veterans' Administration, until this year, stated and restated to the House Veterans' Affairs Committee their continuing opposition to reopening the NSLI program on the grounds that such reopening would constitute unwarranted commercial activity by the Government. The same statements again were made to the Senate Finance Committee during its 1961 hearings on the question of reopening NSLI rolls.

6. Congressional action authorizing Government competition with an unquestionably effective segment of private enterprise will have an undesirable impact on business confidence.

The chamber respectfully requests that this letter be made a part of the record of the hearing which your committee is conducting on S. 3289. We hope that your committee will agree that reopening the NSLI program is unwarranted and unsound.

Sincerely yours,

Theron J. Rice.

THE NATIONAL ASSOCIATION OF LIFE UNDERWRITERS,
Washington, D.C., July 9, 1962.

Re S. 3289.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR BYRD: This will advise you and the other members of the Senate Finance Committee of my association's strong opposition to the above-captioned bill, which would reopen the sale of national service life insurance for a 1-year period to veterans and servicemen who served in the Armed Forces of the United States at any time between October 8, 1940, and January 1, 1957. Enactment of this bill would mean that some 16 million veterans and servicemen would each once again become eligible to buy up to \$10,000 of NSLI. The vast majority of these eligible individuals would be veterans—i.e., ex-servicemen—who have no service-connected disabilities. All of them either owned NSLI at one time or another and later dropped it or had ample opportunity to buy this insurance but chose not to do so.

While differing somewhat in detail, S. 3289 is basically the same type of measure as S. 977, on which your committee held hearings on July 6, 1961—under somewhat unusual circumstances. Since virtually everything that I said at those hearings concerning S. 977 applies equally to S. 3289, I respectfully refer your committee to my testimony, as published in the record of the 1961 hearings, for a complete familiarity with my association's views regarding legislation to reopen the sale of NSLI. Nevertheless, I would like to repeat the main points in my previous testimony, as they relate to S. 3289.

1. NSLI COMPETITION UNNECESSARY AND UNWARRANTED

First of all, it should be clearly understood that my association has never objected to the Federal Government's providing life insurance for veterans whose insurability has been impaired by reason of service-connected disabilities.

However, as I have indicated above, the vast majority of the millions of veterans who would be affected by the enactment of S. 3289 do not fall into this category. There is no more necessity or justification for the Government to compete with the private insurance industry in selling life insurance to these veterans than there would be for the Government to compete with other segments of private enterprise by selling these same veterans their clothing, food, automobiles, etc. There are over 1,400 legal reserve life insurance companies and tens of thousands of full-time agents (including my association's more than 81,000 members) who are ready, able, and eager to satisfy the life insurance needs of these veterans at completely reasonable prices.

In connection with the foregoing, we want to stress that commercial life insurance is one of the few items in America which, on the whole, have materially decreased in cost during the inflationary trend since World War II. Indeed, we are confident that it could be demonstrated that, but for the fact that the NSLI program is completely tax exempt, the cost of the most popular and widely purchased form of commercial life insurance—that is, ordinary life insurance—compares quite favorably with the cost of the ordinary NSLI that would be sold under S. 3289.

2. NSLI COMPETITION UNFAIR

Enactment of S. 3289 would also put the Federal Government into unfair competition with the private life insurance industry.

As I have already indicated, the NSLI program does not pay any taxes. On the other hand, the private life insurance companies pay the equivalent of about \$6 out of every \$100 of premium income for Federal, State, and local taxes and fees.

Thus, this tax-exempt status obviously gives NSLI an indirect but highly substantial subsidy and a decidedly unfair competitive advantage over the private insurers.

3. REVIVAL OF NSLI WOULD REDUCE TAX REVENUES

As pointed out above, private life insurance companies pay the equivalent of about \$6 out of every \$100 of premium income for Federal, State, and local taxes and fees, whereas the NSLI program is completely tax exempt.

Consequently, to the extent that a reopening of the NSLI program resulted in veterans buying NSLI in lieu of private life insurance, the Federal, State, and local governments would lose the tax revenue which they otherwise would have received from the private companies with respect to this lost business. In addition, there would also be the loss of the income tax revenue that otherwise would have been derived from the commissions that life insurance agents would have received on this same business.

Everyone knows that all levels of government are in need of more income, not less. Therefore, since a revival of the NSLI program would tend to reduce tax revenue, such a move would be clearly inconsistent with sound fiscal policy.

So much for my association's principal reasons for opposing the enactment of S. 3289 or any similar NSLI reopening bill. I would now like to devote a few comments to the recent change in the attitudes of the Bureau of the Budget and the Veterans' Administration toward NSLI reopening, as set forth in the two letters of June 27, 1962, written to you by Messrs. David E. Bell, Director of the Bureau of the Budget, and J. S. Gleason, Jr., Administrator of Veterans' Affairs, respectively. Since both of these agencies only last year reaffirmed their long-standing opposition to NSLI reopening to both your committee, in connection with S. 977, and the House Committee on Veterans' Affairs, in connection with very similar measures, we find their sudden change of heart curious, to say the least.

Mr. Bell now asserts that the Budget Bureau's "most serious concern" with S. 3289 (as with S. 977) is that it would permit certain individuals now in service, as well as veterans, to buy NSLI and that this would have a potential adverse impact on the "existing comprehensive program of benefits for servicemen and for ex-servicemen deceased from service-connected causes." He, therefore, states that if S. 3289 is amended to limit the proposed reopening of the NSLI program

only to those no longer in the Armed Forces, then the Budget Bureau will not object to the bill.

Apparently forgotten by Mr. Bell are several of the basic objections made to NSLI reopening by the Budget Bureau to your committee as recently as July 5, 1961. These objections were (1) that reopening of the program would provide a non-service-connected veterans' benefit generally unrelated to the facts of military service or to any need which it is the Government's obligation to fulfill; (2) that reopening would contravene the longstanding policy of removing the Government from the insurance business as far as practicable; and (3) that reopening would duplicate the facilities and resources of commercial insurance companies which presently provide a wide range of insurance plans available to all.

Moreover, can the elimination of servicemen from NSLI eligibility under S. 3289 really be as important a concern to the Budget Bureau as Mr. Bell proclaims it to be? We find it extremely hard to understand how it could be.

For one thing, according to the Veterans' Administration, at least 413,000 active duty service personnel already have NSLI policies. In addition, any serviceman who, while on active duty after April 25, 1951, and prior to January 1, 1957, cash-surrendered a permanent NSLI policy or allowed a term policy to expire, has the right under existing law to reinstate his policy or to purchase a new policy in the same amount. Finally, no individual whose service commenced after January 1, 1957—or, for that matter, no individual who has had continuous service commencing after April 25, 1951—would be eligible to buy NSLI under S. 3289, at least while still in service.

Thus, we submit that your committee will find that the great majority of servicemen who presumably would be affected by S. 3289 already either have NSLI or have the right to buy it. Accordingly, while we certainly agree with the principle of the point made by Mr. Bell, we find it difficult to understand why the Budget Bureau now bases its willingness to withdraw its objections to S. 3289 entirely on the virtually academic condition that the bill be amended to eliminate individuals now in service and glosses over all of the other, more fundamental objections that it consistently raised in the past.

It is even harder for us to find justification in the changed position of the Veterans' Administration from one of opposition to NSLI reopening as late as last year to one of "strong" support this year. In his letter of June 27 to you, Mr. Gleason gave two reasons for this change, both of which have a rather hollow and unconvincing ring to us.

First, he says that he has "concluded that the withdrawal in 1951 of the privilege theretofore granted to millions of World War II veterans to secure insurance * * * may well have caused hardship or unwise decisions in many instances." Although completely mindful of this same argument in the past, the VA consistently and, in our opinion, soundly took the position that no such hardship existed inasmuch as World War II veterans had ample opportunity to buy NSLI not only while they were in service but also for a period of well over 4 years thereafter—i.e. from August 1, 1946, to April 24, 1951. (And it can scarcely be said that such veterans have suffered hardships since April 24, 1951, when, as I have already stated, they could buy all of the life insurance that they wanted and needed from private insurance companies and agents at completely reasonable prices.)

Second, Mr. Gleason says that the VA now supports S. 3289 because it (unlike S. 977 and other predecessor NSLI bills) would make it possible for service-disabled veterans who served "prior to 1951" to buy NSLI. We think that Mr. Gleason's concern for these particular veterans is commendable, but we wonder why he did not raise this point last year when your committee was considering S. 977.

In conclusion, we hope that despite your committee's previous favorable attitude toward NSLI reopening legislation, you will now vote to reject S. 3289 or any amended or compromise version of this unnecessary, unwarranted, and unfair bill.

We are sending copies of this letter to all other members of your committee, and we request that it be made a part of the record of the hearings held by your committee on S. 3289.

Sincerely yours,

THOMAS R. BUCHANAN,

Chairman, Committee on Affairs of Veterans and Servicemen.

Senate Reg. That concludes these hearings.

(B) By order of the chairman, the following is made a part of the record.

JULY 9, 1962.

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

DEAR SENATOR BYRD: We are writing to you on behalf of the American Life Convention and the Life Insurance Association of America, which associations have a combined membership of 306 legal reserve life insurance companies representing over 96 percent of the life insurance in force in the United States in private companies.

We understand that your committee will conduct a hearing today on S. 3289, a bill designed to reopen for 1 year the purchase of national service life insurance by veterans previously eligible for such insurance. We further understand that the testimony will be limited to Government witnesses. Under all of the circumstances we are not requesting an opportunity to be heard but would like to once again express our opposition to such legislation.

Although it is true that S. 3289 does differ in certain respects from earlier bills, we believe that it is basically the same proposal we have opposed in past years. We are firmly convinced that this legislation represents unnecessary and unjustifiable competition with private business. We agree with Bureau of the Budget Director David E. Bell, who, in his letter to you dated June 27, 1962, stated that the Bureau's review of the legislation had confirmed their view "that there is no compelling need or Government obligation to reopen these long-closed insurance programs."

Certainly, enactment cannot be urged on the basis that veterans are not able to secure good and reasonable life insurance coverage from life insurance companies. The life insurance companies, through their agents who can correlate insurance coverage to a person's needs, are eminently qualified to provide better service, but should not be required to compete with Government insurance which is not subject to the usual and necessary costs, including State and Federal taxes, which private companies must bear.

Last year our two associations appeared before your committee to register our opposition to S. 977 and we respectfully invite your consideration and review of the attached statement which was made by Mr. Victor E. Henningsen, actuary of the Northwestern Mutual Life Insurance Co., representing our associations.

For the foregoing reasons, we respectfully submit that this legislation should not be reported favorably by the Finance Committee.

Respectfully,

AMERICAN LIFE CONVENTION,
 GLENDON E. JOHNSON, *General Counsel.*
 LIFE INSURANCE ASSOCIATION OF AMERICA,
 EUGENE M. THORÉ,
Vice President and General Counsel.

TESTIMONY OF VICTOR E. HENNINGSEN, ACTUARY, THE NORTHWESTERN MUTUAL LIFE INSURANCE CO., IN BEHALF OF THE AMERICAN LIFE CONVENTION AND LIFE INSURANCE ASSOCIATION OF AMERICA, BEFORE THE SENATE FINANCE COMMITTEE, JULY 6, 1961

My name is Victor E. Henningsen. I am actuary of the Northwestern Mutual Life Insurance Co. of Milwaukee, Wis. I am appearing today on behalf of the American Life Convention and the Life Insurance Association of America, which associations have a combined membership of 302 legal reserve life insurance companies representing over 96 percent of the life insurance in force in the United States in private companies.

I am appearing in opposition to S. 977. This bill would permit certain veterans to purchase national service life insurance coverage, notwithstanding termination of such eligibility by congressional action and development of a policy of removing the Government from the insurance business as far as practicable and providing survivor protection to servicemen by other means.

Our opposition stems from a fundamental conviction that this legislation would represent unnecessary and unjustifiable competition with private business. Enactment cannot be urged on the basis that veterans are unable to secure good and reasonable insurance coverage. The life insurance companies are eminently capable of meeting the insurance needs of all able-bodied veterans, and doubtless are already serving a great number of the very veterans who would come within the scope of this legislation.

Reestablishing eligibility at this time would constitute a reversal of the earlier congressional determination that there is no longer a need nor sound justification for providing Government insurance to able-bodied veterans. No purpose would be served by a lengthy development of the history of the national service insurance program. It is clear, however, that the principal original purpose of providing Government insurance to servicemen was to provide adequate financial protection for their dependents in the event of death while in service as well as to protect the serviceman against a service-connected loss of insurability. We conclude that this purpose has been fully served with respect to veterans of service.

There is a historical pattern of consideration by both Congress and the executive of postservice Government insurance on the lives of able-bodied veterans. Following lengthy studies in 1950, the issuance of permanent NSLI insurance was terminated as of April 25, 1951, and a gratuitous indemnity program was instituted. In 1956, following careful review of the whole question of survivors benefits, Congress repealed the gratuitous indemnity, concluding that a system of dependency and indemnity compensation would provide the best type of survivor protection. The life insurance business supported the benefit pattern established by that legislation. At that time, the postservice rights of all veterans, except those with service-connected impairment, were prospectively terminated.

Proposals for reopening NSLI on several occasions have been considered but have failed of enactment. The hearings, reports, and debates on these various legislative phases contain numerous statements supporting the discontinuance of postservice insurance for nondisabled veterans. As stated above, we believe that this history and these statements constitute a pattern of rejection which should be changed only for the most compelling reasons and we do not believe that such reasons exist.

S. 977 proposes to charge back the administrative costs of the reopened coverage to the serviceman. This approach does not remove the element of unfair Government competition. The first question raised is whether the costs of administering such a program within a multipurpose Government agency and involving other Government agencies can or will be determined with sufficient precision to make these costs comparable to those encountered by a private insuring organization. Beyond this question lies the fact that the Federal Government is not subject to certain costs to which private insurers are subject. Among such costs are State and Federal taxes as well as the costs of maintaining the agency system which serves the American public so well. In terms of business costs, exemption from these taxes and agency charges is tantamount to a subsidy. The life insurance companies can provide better service, but cannot and should not be required to compete with Government insurance which is not subject to the usual and necessary costs which private companies must bear.

For the foregoing reasons, we respectfully urge you to withhold favorable action on this bill.

(Whereupon, at 3:35 p.m., the committee was adjourned.)

