

## LIBERALIZING THE PROVISIONS OF TITLE 38, UNITED STATES CODE, RELATING TO THE ASSIGNMENT OF NATIONAL SERVICE LIFE INSURANCE

JULY 10, 1962.—Ordered to be printed

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

### REPORT

[To accompany H.R. 10669]

The Committee on Finance, to whom was referred the bill (H.R. 10669) to liberalize the provisions of title 38, United States Code, relating to the assignment of national service life insurance, having considered the same, report favorably thereon, without amendment, and recommend that the bill do pass.

#### EXPLANATION OF THE BILL

This proposal, suggested by the Veterans' Administration and formally transmitted to the Congress, broadens the assignment provisions of national service life insurance available to World War II veterans.

It is a view of the Veterans' Administration that assignment should be permitted by any person entitled to insurance benefits whether such person is the principal or contingent beneficiary and that such assignment should be permitted whether delivered to the VA before or after payments of the insurance are made. Today, under existing law, an assignment may be made only by a designated principal beneficiary to a permitted class of relatives of the insured (widow, widower, child, father, mother, grandfather, grandmother, brother, or sister); designated contingent beneficiaries, if any, must join in the assignment; and the assignment must be delivered to the Veterans' Administration before any payments of the insurance have been made to the beneficiary.

The bill would be applicable only to insurance maturing on or after the date of enactment. It would not have any adverse effect on the national service trust fund nor would it result in any additional bene-

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fit cost to the Government. Little or no additional administrative costs would be involved.

The favorable report of the VA follows:

MARCH 2, 1962.

HON. LYNDON B. JOHNSON,  
*President of the Senate, Washington, D.C.*

DEAR MR. PRESIDENT: There is transmitted herewith a draft of a bill to liberalize the provisions of title 38, United States Code, relating to the assignment of national service life insurance.

Pursuant to the authority under section 718 of title 38, United States Code, an assignment of all or any part of the beneficiary's interest in national service life insurance is permitted under certain enumerated conditions; namely, an assignment may be made only by a designated principal beneficiary to a permitted class of relatives of the insured (widow, widower, child, father, mother, grandfather, grandmother, brother, or sister); designated contingent beneficiaries, if any, must join in the assignment; and the assignment must be delivered to the Veterans' Administration before any payments of the insurance have been made to the beneficiary. An interest in an annuity, when assigned, is payable in equal monthly installments in such multiple of 12 as most nearly equals the number of installments certain under such annuity, or in 240 installments, whichever is the lesser.

The experience of the Veterans' Administration under the mentioned assignment provisions indicates the desirability that certain of the present restrictions be relaxed and the assignment provisions be made more flexible. It is believed that assignments should be permitted by any person entitled to the insurance benefits, whether such person is the principal or contingent beneficiary, and that such assignments should be permitted whether delivered to the Veterans' Administration before or after some payments of the insurance are made. Such liberalizations will be of benefit to many national service life insurance beneficiaries since they would permit assignments in cases that are presently precluded by the provisions of the law but in which the equities of the individual situations would seem to dictate such disposition of the proceeds of the insurance contracts, and would similarly be of benefit to the Government in facilitating the administrative settlement by the Veterans' Administration of contested claims. We have also been advised by representatives of the Department of Justice that the adoption of these liberalizations would, in their opinion, promote substantial justice in many cases that cannot now be settled in conformity with the statute and would obviate many of the difficulties encountered by that Department in the settlement of litigation involving beneficiary disputes.

However, it is believed that such a liberalization should be restricted to insurance maturing on or after the date of enactment of the proposed amendment. To make the liberalizations retrospective in effect would result in considerable administrative difficulty and cost and would create discrimination and controversy. The enclosed draft of bill would make the change effective prospectively.

The draft legislation has been patterned generally after the assignment provision applicable to U.S. Government life insurance appearing in 38 United States Code 753. We have, however, retained the somewhat narrower permitted class of assignees established by the

Congress in the present national service life insurance assignment provision, and precluded the assignment of gratuitous insurance issued under the provisions of 38 United States Code 722(b). This latter restriction is necessary to prevent the enlargement of the permitted class of beneficiaries (widow or widower, child or children, parent or parents) of that gratuitous insurance.

The legislation would continue the general requirement that the designated contingent beneficiary, if any, join the beneficiary in the assignment. This provision is necessary to avoid the administrative difficulty of determining whether the beneficiary-assignor is alive each time payment is made to an assignee. Such joinder would not be required when the assignor has a vested interest in the entire proceeds of the insurance contract and the insurance is therefore payable in a lump sum.

The enactment of this proposal would not have any adverse effect on the national service life insurance trust fund. It would not result in any additional benefit cost to the Government and, in view of its prospective application, would involve little or no additional administrative cost.

In view of the foregoing, it is respectfully requested that the proposed legislation be introduced and considered for early enactment.

The Bureau of the Budget advises that there is no objection from the standpoint of the administration's program to the submission of the proposed legislation to the Congress.

Sincerely,

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

A BILL To liberalize the provisions of title 38, United States Code, relating to the assignment of national service life insurance

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 718 of title 38, United States Code, is amended (1) by inserting "(a)" before the first sentence; (2) by adding "The provisions of this subsection shall not be applicable to insurance maturing on or after the date of enactment of this amendatory Act." at the end of subsection (a); and (3) by adding the following new subsection:

"(b) Except as to insurance granted under the provisions of section 722(b) of this title, any person to whom insurance maturing on or after the date of enactment of this amendatory Act is payable may assign all or any portion of his interest in such insurance to a widow, widower, child, father, mother, grandfather, grandmother, brother, or sister of the insured when the designated contingent beneficiary, if any, joins the beneficiary in the assignment. Such joinder shall not be required in any case in which the insurance proceeds are payable in a lump sum."

## CHANGES IN EXISTING LAW

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

## SECTION 718 OF TITLE 38, U.S. CODE

## § 718. Assignments

(a) Assignments of all or any part of the beneficiary's interest may be made by a designated beneficiary to a widow, widower, child, father, mother, grandfather, grandmother, brother, or sister of the insured, when the designated contingent beneficiary, if any, joins the beneficiary in the assignment, and if the assignment is delivered to the Veterans' Administration before any payments of the insurance shall have been made to the beneficiary. However, an interest in an annuity, when assigned, shall be payable in equal monthly installments in such multiple of twelve as most nearly equals the number of installments certain under such annuity, or in two hundred and forty installments, whichever is the lesser. *The provisions of this subsection shall not be applicable to insurance maturing on and after the date of enactment of this sentence.*

(b) *Except as to insurance granted under the provisions of section 722(b) of this title, any person to whom insurance maturing on or after the date of enactment of this sentence is payable may assign all or any portion of his interest in such insurance to a widow, widower, child, father, mother, grandfather, grandmother, brother, or sister of the insured when the designated contingent beneficiary, if any, joins the beneficiary in the assignment. Such joinder shall not be required in any case in which the insurance proceeds are payable in a lump sum.*

