

# Calendar No. 1764

87TH CONGRESS }  
2d Session }

SENATE

{ REPORT  
No. 1807

## NATIONAL SERVICE LIFE INSURANCE

August 3, 1962.—Ordered to be printed

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

### REPORT

[To accompany S. 3597]

The Committee on Finance, to whom was referred the bill (S. 3597) to amend title 38, United States Code, to permit, for 1 year, the granting of national service life insurance to certain veterans heretofore eligible for such insurance, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

#### GENERAL STATEMENT

S. 3597 proposes to reopen the national service life insurance program for 1 year to veterans heretofore eligible to apply for such insurance after October 7, 1940, and before January 1, 1957. The insurance would be nonparticipating and would be available to service disabled veterans, regardless of degree of disability, as well as veterans who meet good health requirements. Insurance would not be available to persons in active military service, and if any veterans securing such insurance later enters active service, the insurance would be terminated but could be picked up after such service. The major committee amendments are as follows:

(1) Since the insurance is nonparticipating the Administrator would be given authority to decrease or increase the premium rates not more frequently than every two years if he determines that such action is indicated on the basis of the experience and sound actuarial principles;

(2) The right to secure insurance would be extended to the totally disabled service-connected veterans, as well as those less than totally disabled;

(3) The bill would authorize the issuance of term insurance up to age 50 and incorporates a provision under which the term insurance may be converted to a new level premium plan known

as "modified life" with premiums higher than the term policy but lower than ordinary life premiums.

#### EXPLANATION OF FIRST SECTION OF THE BILL

The first section of S. 3597 adopts, with certain minor modifications, the administration's proposal to reopen the NSLI program which the administrator of Veterans' Affairs recommended to the committee at hearings on a similar bill held on June 9, 1962.

This section would authorize, for a 1-year period only, the granting of national service life insurance to veterans heretofore eligible to apply for such insurance between October 8, 1940, and December 31, 1956, inclusive. However, no insurance would be granted under the bill to Filipino veterans whose rights to insurance are restricted by section 107 of title 38, United States Code, or to any person while on active duty under a call or order for 31 days or more. The 1-year period during which eligible veterans could purchase the insurance would begin 1 year after the date the bill is enacted into law.

The types of insurance would be issued under the bill, one to persons in good health and another to persons whose service-connected disabilities would be compensable if 10 percent or more in degree. However, both types of insurance would be nonparticipating—no dividends. Either term or permanent plan insurance could be purchased. Term insurance could not be initially issued or renewed after the applicant's 50th birthday. However, under section 2 of the bill a new plan of insurance—modified life—will provide an inducement to convert since the premium rates under such plan will be lower than ordinary life premiums. Medical examinations, when required, would be at the applicant's own expense by a duly licensed physician.

To avoid pyramiding of survivors' benefits for deaths in active service, the insurance issued to persons in good health (1) would terminate if the policyholder is recalled to active duty or active duty for training for 31 days or more, and (2) would not be payable for death which occurs while the insured is on active duty or active duty for training for a period of less than 31 days if dependency and indemnity compensation is payable in such case at the time of death. In the latter event, the cash value, if any, less any indebtedness would be paid to the designated beneficiary, if living, otherwise to the insured's estate.

Insurance terminated by recall to active duty or active duty for training may, upon application, payment of the required premiums and reserve, be reinstated or replaced without medical examination within 120 days after discharge. After the 120-day period permanent plan insurance may be reinstated at any time and term insurance may be reinstated within the term period, upon proof of good health, payment of the required premiums and reserve. Replacement insurance would be on the same plan and would not be in excess of the amount terminated. Waiver of premiums and payment of total disability benefits otherwise authorized would not be denied in case of reinstatement or replacement within 120 days after discharge solely because the total disability began prior to the date of application for such replacement or reinstatement.

Premiums on insurance issued to persons in good health would be credited to a revolving fund and benefits paid therefrom. Provision

is made for the investment of such fund in obligations guaranteed by the United States, and for the transfer from the fund to the Veterans' Administration of its administrative expenses and to the Treasury of amounts in excess of the actuarial liabilities of the fund including contingency reserves. Premiums may be adjusted every 2 years, if indicated by experience and actuarial principles.

Insurance for the service disabled would be funded through the national service life insurance appropriation.

PREMIUM RATES

The premium rates would be based on the 1958 Commissioners Standard Ordinary Basic Table of Mortality increased as necessary for those in good health and on the American Experience Table for the service disabled. Rates for both groups would include a 3 percent interest factor and would be increased to cover administrative cost which is estimated to be about \$5 per policy per year. The proposed premium rates, excluding the administrative costs, and other related statistics follow:

*Annual premium rates per \$1,000 ordinary life insurance*

Issue age	Good health applicants, ordinary life	Service disabled, ordinary life	Issue age	Good health applicants, ordinary life	Service disabled, ordinary life
25.....	\$10.30	\$16.22	43.....	\$21.55	\$27.94
26.....	10.66	16.69	44.....	22.49	29.01
27.....	11.13	17.05	45.....	23.56	30.07
28.....	11.48	17.52	46.....	24.74	31.25
29.....	11.96	18.00	47.....	25.93	32.56
30.....	12.43	18.47	48.....	27.23	33.96
31.....	12.90	18.94	49.....	28.53	35.40
32.....	13.38	19.53	50.....	29.95	36.94
33.....	14.09	20.01	51.....	31.49	38.71
34.....	14.68	20.72	52.....	33.15	40.49
35.....	15.27	21.31	53.....	34.92	42.38
36.....	15.86	21.90	54.....	36.70	44.40
37.....	16.57	22.61	55.....	38.53	46.53
38.....	17.17	23.44	56.....	40.54	48.59
39.....	18.11	24.15	57.....	43.21	51.38
40.....	18.82	25.10	58.....	45.46	53.99
41.....	19.65	25.93	59.....	48.07	56.83
42.....	20.60	26.87	60.....	47.00	59.91

The above premium rates for the service disabled are the same as were paid by World War II service disabled (who applied between 1946 and 1950), except that this insurance will be available to all such disabled veterans whereas they had to be less than totally disabled to secure the World War II type. The rates are higher, of course, because the disabled veterans are impaired risks for insurance purposes. However, experience with the World War II group ("H" insurance) has shown that the insurance is practically self-sustaining.

COST OF REOPENING NSLI

The administrative expenses of this program will be borne by all policyholders, including the service disabled. There will be, however, an initial administrative outlay to the Veterans' Administration estimated at \$7,716,700 for the first year; \$5,583,500 for the second year; \$3,088,500 for the third year; \$2,907,500 for the fourth year; and \$2,743,500 for the fifth year. In reality, this is a bookkeeping trans-

action involving no cost to the Government, inasmuch as the bill provides that funds so appropriated shall be repaid to the Treasury by collection of the administrative expenses from the policyholders.

EXPLANATION OF SECTION 2 (NEW MODIFIED LIFE PLAN FOR NLSI POLICYHOLDERS)

Section 2, seeks to provide a new plan of national service life insurance, generally designated as a modified life plan, which would be offered primarily to World War II term policyholders as a substitute for their present term policies, and also will be available to veterans who secure insurance under the first section of the bill. It provides for the same amount of protection as they have today, with two modifications—the amount of the premium would not increase each 5 years as is true of all national service life insurance term contracts, and at age 65 the value of the policy would be reduced in half. However, the policyholder at age 65 would have the option, if he desired and elected to do so, to maintain the other half of the policy which he would otherwise lose by paying for the insurance at the premium rate for the attained age and without medical examination. This section is substantially identical with H.R. 856, which the Senate approved in the first session.

The premium rates on participating insurance would be based on the 1958 Commissioners' Standard Table of Mortality and would provide premiums at a lower level than the American Experience Table of Mortality on which most national service life insurance policies have been written.

The effect of section 2, insofar as premiums are concerned, is shown in the table reproduced below:

Age	Annual premium for the modified life plan	Annual premium present rates (participating insurance)		Level premium after age 65 (participating insurance)	
		5-year level premium term	Ordinary life	If 50 per cent face continued	If 100 per cent face continued
30.....	\$9.83	\$8.41	\$18.47	\$9.83	\$43.22
35.....	11.72	9.00	21.31	11.72	45.11
40.....	14.09	10.06	25.10	14.09	47.48
45.....	17.17	11.72	30.07	17.17	50.50
50.....	20.84	15.04	36.94	20.84	54.23
55.....	25.22	20.95	46.63	25.22	59.61
65.....		47.00	78.97		

Section 2 is the culmination of a continuing interest on the part of the Committee on Finance and the Veterans' Administration in preventing World War II policyholders from suffering the same fate of their World War I brothers in the term insurance field. The rates of premium chargeable today on term policies of World War I or World War II veterans whose ages are in the late sixties and seventies are so high as to make the maintenance of the policies almost prohibitive, and certainly uneconomical. As an example, the committee had recently called to its attention the case of a veteran age 78 who is paying \$1,200 annual premium on a \$10,000 policy. He had already exceeded in premiums paid the face value of the policy, but he needs the protection for his wife in the event of his death and thus had no

alternative except to continue the payment of premiums. Perhaps the most horrible example that can be cited is that of a well-known high-ranking officer in World War I who allegedly paid \$21,000 for a \$10,000 term policy.

ADMINISTRATIVE COST OF THE NEW MODIFIED LIFE PLAN FOR NSLI POLICYHOLDERS

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

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

Section 2 will tend to alleviate the problem of the NSLI term policyholders at the older ages.

AGENCY REPORTS

The favorable reports of the Bureau of the Budget and the Veterans' Administration on bills having similar purposes to S. 3597 follow:

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 pur-

poses 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.)

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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 recom-

mendations I am enclosing a draft bill which contains appropriate revisions to reflect the details of the amendments suggested.

Sincerely,

W. J. DRIVER, *Deputy Administrator.*

A BILL 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 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 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 33, United States Code, is amended by adding at the end thereof the following:

"725. Limited period for acquiring insurance."

VETERANS' ADMINISTRATION,  
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,  
*Washington, D.C., March 23, 1961.*

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

DEAR SENATOR BYRD: The following report on H.R. 856, 87th Congress, is submitted as requested.

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

The insured, upon written application, payment of the required premium and without medical examination, may be issued additional

insurance on the ordinary life plan to replace the amount of insurance which is reduced on his 65th birthday. Such insurance will be issued at age 65 only and will be based on the same mortality tables and interest rates and have the same guaranteed values and settlement options as the insurance which is reduced. In order to be eligible for such replacement insurance the modified life plan must be in force by payment or waiver of premiums at time of reduction. The application for such additional insurance must be made before the insured's 65th birthday and shall be effective on that day. If the insured is totally disabled and premiums on the modified life plan are being waived or he is entitled to such waiver at the time of the reduction he will be automatically granted insurance equal to the amount of the reduction.

The bill permits NSLI policyholders to convert their term insurance or to exchange their permanent plan insurance for the modified life plan. On participating insurance the premium rates and guaranteed values of the new plan would be based on the 1958 Commissioners Standard Ordinary Table of Mortality with interest at the rate of 3 percent per annum. That table provides a more realistic up-to-date mortality basis for calculation of premiums than the American Experience Table of Mortality which is almost a century old. The use of the 1958 Commissioners Standard Ordinary Table of Mortality will provide premiums at a lower participating level than the American Experience Table of Mortality. The insurance will continue to be participating but dividends will be considerably lower under the new plan than at present. The basis for calculation of optional settlements on the insurance is not changed.

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

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

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

The modified life plan proposed by the bill will not, of course, fully solve the problem. However, it should help. It is believed that one of the major deterrents to conversion is the difference in cost between term and permanent plans of insurance. The modified life plan will provide permanent plan insurance at a lower premium rate than the existing permanent plans of insurance. This is true because the protection is cut in half at age 65 and a more realistic table is used for calculation of premiums on participating insurance. A comparison of premiums per \$1,000 of participating insurance is as follows:

Age	Annual premium for the modified life plan	Annual premium present rates		Level premium after age 65	
		5-year level premium term	Ordinary life	If 50 percent face continued	If 100 percent face continued
30	\$9.83	\$8.41	\$18.47	\$9.83	\$43.22
35	11.72	9.00	21.31	11.72	45.11
40	14.09	10.06	25.10	14.09	47.48
45	17.17	11.72	30.07	17.17	50.56
50	20.84	15.04	36.94	20.84	54.23
55	25.23	20.95	46.53	25.23	58.61
65		47.00	78.97		

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

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

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



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

Sincerely,

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

#### CHANGES IN EXISTING LAW

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

### CHAPTER 19—INSURANCE

#### SUBCHAPTER I—NATIONAL SERVICE LIFE INSURANCE

- 701. Definitions.
- 702. Premium rates and policy values.
- 703. Amount of insurance.
- 704. Plans of insurance.
- 705. Renewal.
- 706. Policy provisions:
- 707. Dividends to pay premiums.
- 708. Premium payments.
- 709. Effective date of insurance.
- 710. Incontestability.
- 711. Forfeiture.
- 712. Total disability waiver.
- 713. Death before six months' total disability.
- 714. Statutory total disabilities.
- 715. Total disability income provision.
- 716. Insurance which matured before August 1, 1946. —
- 717. Insurance maturing on or after August 1, 1946.
- 718. Assignments.
- 719. National Service Life Insurance appropriation.
- 720. National Service Life Insurance Fund.
- 721. Extra hazard costs.
- 722. Service disabled veterans' insurance.
- 723. Veterans' special term insurance.
- 724. In-service waiver of premiums.
- 725. *Limited period for acquiring insurance.*

#### SUBCHAPTER II—UNITED STATES GOVERNMENT LIFE INSURANCE

- 740. Definition.
- 741. Amount of insurance.
- 742. Plans of insurance.
- 743. Premiums.
- 744. Policy provisions.
- 745. Renewal.
- 746. Dividends to pay premiums.
- 747. Incontestability.
- 748. Total disability provision.
- 749. Change of beneficiary.
- 750. Payment to estates.
- 751. Payment of insurance.
- 752. Optional settlement.
- 753. Assignments.
- 754. Forfeiture.
- 755. United States Government Life Insurance Fund.
- 756. Military and naval insurance appropriation.
- 757. Extra hazard costs.
- 758. Statutory total permanent disability.
- 759. Waiver of disability for reinstatement.
- 760. Waiver of premium payments on due date.

## SUBCHAPTER III—GENERAL

- 781. Replacement of surrendered and expired insurance.
- 782. Administrative cost.
- 783. Settlements for minors or incompetents.
- 784. Suits on insurance.
- 785. Decisions by the Administrator.
- 786. Deposits in and disbursements from trust funds.
- 787. Penalties.
- 788. Savings provision.

## Subchapter I—National Service Life Insurance

## § 701. Definitions

For the purposes of this subchapter—

- (1) The term "insurance" means National Service Life Insurance.
- (2) The term "widow" or "widower" mean a person who was the lawful spouse of the insured at the maturity of the insurance.
- (3) The term "child" means a legitimate child, an adopted child, and, if designated as beneficiary by the insured, a stepchild or an illegitimate child.
- (4) The term "parent", "father", and "mother" mean a father, mother, father through adoption, mother through adoption, persons who have stood in loco parentis to a member of the military or naval forces at any time before entry into active service for a period of not less than one year, and a stepparent, if designated as beneficiary by the insured.

## § 702. Premium rates and policy values

Premium rates for insurance shall be the net rates based upon the American Experience Table of Mortality and interest at the rate of 3 per centum per annum. All cash, loan, paid-up, and extended values, and all other calculations in connection with insurance, shall be based upon said American Experience Table of Mortality and interest at the rate of 3 per centum per annum.

## § 703. Amount of insurance

Insurance shall be issued in any multiple of \$500 and the amount of insurance with respect to any one person shall be not less than \$1,000 or more than \$10,000. No person may carry a combined amount of National Service Life Insurance and United States Government life insurance in excess of \$10,000 at any one time.

## § 704. Plans of insurance

(a) Insurance may be issued on the following plans: Five-year level premium term, ordinary life, twenty-payment life, thirty-payment life, twenty-year endowment, endowment at age sixty, and endowment at age sixty-five. Level premium term insurance may be converted as of the date when any premium becomes or has become due, or exchanged as of the date of the original policy, upon payment of the difference in reserve, at any time while such insurance is in force and within the term period to any of the foregoing permanent plans of insurance, except that conversion to an endowment plan may not be made while the insured is totally disabled.

(b) *Under such regulations as the Administrator may promulgate a policy of participating insurance may be converted to or exchanged for insurance issued under this subsection on a modified life plan. Insurance issued under this subsection shall be on the same terms and*

conditions as the insurance which it replaces, except (1) the premium rates for such insurance shall be based on the 1958 Commissioners Standard Ordinary Table of Mortality and interest at the rate of 3 per centum per annum; (2) all cash, loan, paid-up, and extended values shall be based on the 1958 Commissioners Standard Ordinary Table of Mortality and interest at the rate of 3 per centum per annum; and (3) at the end of the day preceding the sixty-fifth birthday of the insured the face value of the modified life insurance policy or the amount of extended term insurance thereunder shall be automatically reduced by one-half thereof, without any reduction in premium.

(c) Under such regulations as the Administrator may promulgate, a policy of nonparticipating insurance may be converted to or exchanged for insurance issued under this subsection on a modified life plan. Insurance issued under this subsection shall be on the same terms and conditions as the insurance which it replaces, except that (1) term insurance issued under section 621 of the National Service Life Insurance Act of 1940 shall be deemed for the purposes of this subsection to have been issued under section 723(b) of this title; and (2) at the end of the day preceding the sixty-fifth birthday of the insured the face value of the modified life insurance policy or the amount of extended term insurance thereunder shall be automatically reduced by one-half thereof, without any reduction in premium. Any person eligible for insurance under section 722(a), or section 725, of this title may be granted a modified life insurance policy under this subsection which, subject to exception (2) above, shall be issued on the same terms and conditions specified in section 722(a), or section 725, whichever is applicable.

(d) Any insured whose modified life insurance policy is in force by payment or waiver of premiums on the day before his sixty-fifth birthday may upon written application and payment of premiums made before such birthday be granted National Service Life Insurance, on an ordinary life plan, without physical examination, in an amount of not less than \$500, in multiples of \$250, but not in excess of one-half of the face amount of the modified life insurance policy in force on the day before his sixty-fifth birthday. Insurance issued under this subsection shall be effective on the sixty-fifth birthday of the insured. The premium rate, cash, loan, paid-up, and extended values on the ordinary life insurance issued under this subsection shall be based on the same mortality tables and interest rates as the insurance issued under the modified life policy. Settlements on policies involving annuities on insurance issued under this subsection shall be based on the same mortality or annuity tables and interest rates as such settlements on the modified life policy. If the insured is totally disabled on the day before his sixty-fifth birthday and premiums on his modified life insurance policy are being waived under section 712 of this title or he is entitled on that date to waiver under such section he shall be automatically granted the maximum amount of insurance authorized under this subsection and premiums on such insurance shall be waived during the continuous total disability of the insured.

#### § 705. Renewal

All level premium term policies, except as otherwise provided in this section, shall cease and terminate at the expiration of the term period. At the expiration of any term period any five-year level premium term policy which has not been exchanged or converted to a permanent plan of insurance and which is not lapsed shall be renewed as level premium term insurance without application for a

successive five-year period at the premium rate for the attained age without medical examination. However, renewal will be effected in cases where the policy is lapsed only if the lapse occurred not earlier than two months before the expiration of the term period, and reinstatement in such cases shall be under the terms and conditions prescribed by the Administrator. In any case in which the insured is shown by evidence satisfactory to the Administrator to be totally disabled at the expiration of the level premium term period of his insurance under conditions which would entitle him to continued insurance protection but for such expiration, his insurance, if subject to renewal under this section, shall be automatically renewed for an additional period of five years at the premium rate for the then attained age, unless the insured has elected insurance on some other available plan.

#### **§ 706. Policy provisions**

Provisions for cash, loan, paid-up, and extended values, dividends from gains and savings, refund of unearned premiums, and such other provisions as may be found to be reasonable and practicable may be provided for in the policy of insurance from time to time by regulations promulgated by the Administrator.

#### **§ 707. Dividends to pay premiums**

Until and unless the Veterans' Administration has received from the insured a request in writing for payment in cash, any dividend accumulations and unpaid dividends shall be applied in payment of premiums becoming due on insurance subsequent to the date the dividend is payable after January 1, 1952.

#### **§ 708. Premium payments**

The Administrator shall, by regulations prescribe the time and method of payment of the premiums on insurance, but payments of premiums in advance shall not be required for periods of more than one month each, and may at the election of the insured be deducted from his active-service pay or be otherwise made. An amount equal to the first premium due under a National Service Life Insurance policy may be advanced from current appropriations for active-service pay to any person in the active service in the Army, Navy, Air Force, Marine Corps, or Coast Guard, which amount shall constitute a lien upon any service or other pay accruing to the person for whom such advance was made and shall be collected therefrom if not otherwise paid. No disbursing or certifying officer shall be responsible for any loss incurred by reason of such advance. Any amount so advanced in excess of available service or other pay shall constitute a lien on the policy within the provisions of section 3101(b) of this title.

#### **§ 709. Effective date of insurance**

Insurance may be made effective, as specified in the application, not later than the first day of the calendar month following the date of application therefor, but the United States shall not be liable thereunder for death occurring before such effective date.

#### **§ 710. Incontestability**

Subject to the provisions of section 711 of this title all contracts or policies of insurance heretofore or hereafter issued, reinstated, or converted shall be incontestable from the date of issue, reinstatement, or

conversion except for fraud, nonpayment of premium, or on the ground that the applicant was not a member of the military or naval forces of the United States. However, in any case in which a contract or policy of insurance is canceled or voided after March 16, 1954, because of fraud, the Administrator shall refund to the insured, if living, or, if deceased, to the person designated as beneficiary (or if none survives, to the estate of the insured) all money, without interest, paid as premiums on such contract or policy for any period subsequent to two years after the date such fraud induced the Veterans' Administration to issue, reinstate, or convert such insurance less any dividends, loan, or other payment made to the insured under such contract or policy.

#### **§ 711. Forfeiture**

Any person guilty of mutiny, treason, spying, or desertion, or who, because of conscientious objections, refuses to perform service in the Armed Forces of the United States or refuses to wear the uniform of such force, shall forfeit all rights to National Service Life Insurance. No insurance shall be payable for death inflicted as a lawful punishment for crime or for military or naval offense, except when inflicted by any enemy of the United States; but the cash surrender value, if any, of such insurance on the date of such death shall be paid to the designated beneficiary, if living, or otherwise to the beneficiary or beneficiaries within the permitted class in accordance with the order specified in section 716(b) of this title.

#### **§ 712. Total disability waiver**

(a) Upon application by the insured and under such regulations as the Administrator may promulgate, payment of premiums on insurance may be waived during the continuous total disability of the insured, which continues or has continued for six or more consecutive months, if such disability began (1) after the date of his application for insurance, (2) while the insurance was in force under premium-paying conditions, and (3) before the insured's sixtieth birthday.

(b) The Administrator, upon any application made after August 1, 1947, shall not grant waiver of any premium becoming due more than one year before the receipt in the Veterans' Administration of application for the same, except as provided in this section. Any premiums paid for months during which waiver is effective shall be refunded. The Administrator shall provide by regulations for examination or reexamination of an insured claiming benefits under this section, and may deny benefits for failure to cooperate. If it is found that an insured is no longer totally disabled, the waiver of premiums shall cease as of the date of such finding and the policy of insurance may be continued by payment of premiums as provided in said policy. In any case in which the Administrator finds that the insured's failure to make timely application for waiver of premiums or his failure to submit satisfactory evidence of the existence or continuance of total disability was due to circumstances beyond his control, the Administrator may grant waiver or continuance of waiver of premiums.

(c) If the insured dies without filing application for waiver, the beneficiary, within one year after the death of the insured, or, of the beneficiary is insane or a minor, within one year after removal of such legal disability, may file application for waiver with evidence of the insured's right to waiver under this section. Premium rates

shall be calculated without charge for the cost of waiver of premiums provided in this section and no deduction from benefits otherwise payable shall be made on account thereof.

(d) In any case in which an insured has been denied or would have been denied premium waiver under section 602(n) of the National Service Life Insurance Act of 1940 or this section solely because he became totally disabled between the date of valid application for insurance and the subsequent effective date thereof, and in which it is shown that (1) the total disability was incurred in line of duty between October 8, 1940, and July 31, 1946, inclusive, or June 27, 1950, and April 30, 1951, inclusive, and (2) the insured remained continuously so totally disabled to the date of death or the date of enactment of this subsection, whichever is earlier, the Administrator may grant waiver of premiums from the beginning of and during the continuous total disability of such insured. Application for waiver of premiums under this subsection must be filed by the insured or, in the event of his death, by the beneficiary within two years after the date of enactment of this subsection, except that if the insured or the beneficiary be insane or a minor within the two-year period, application for such waiver may be filed, within two years after removal of such legal disability, or if an insane insured shall die before the removal of the disability, application may be filed by the beneficiary within two years after the insured's death. No insurance shall be placed in force under this subsection in any case in which there was an award of benefits under the Servicemen's Indemnity Act of 1951 or of gratuitous insurance under section 722(b) of this title. The amount of insurance placed in force hereunder together with any other United States Government life insurance or national service life insurance in force at the time of death, or at the time of the insured's application for waiver hereunder, may not exceed \$10,000 and shall be reduced by the amount of any gratuitous insurance awarded under the National Service Life Insurance Act of 1940. Waiver of premiums under this subsection shall render the insurance nonparticipating during the period such premium waiver is in effect. The cost of waiver of premium and death benefits paid as a result of this subsection shall be borne by the United States.

#### **§ 713. Death before six months' total disability**

Whenever premiums are not waived under section 712 of this title solely because the insured died prior to the continuance of total disability for six months, and proof of such facts, satisfactory to the Administrator, is filed by the beneficiary with the Veterans' Administration within one year after the insured's death, his insurance shall be deemed to be in force at the date of his death, and the unpaid premiums shall become a lien against the proceeds of his insurance. If the beneficiary is insane or a minor, proof of such facts may be filed within one year after removal of such legal disability.

#### **§ 714. Statutory total disabilities**

Without prejudice to any other cause of disability, the permanent loss of the use of both feet, of both hands, or of both eyes, or of one foot and one hand, or of one foot and one eye, or of one hand and one eye, or the total loss of hearing of both ears, or the organic loss of speech, shall be deemed total disability for insurance purposes.

**§ 715. Total disability income provision**

The Administrator shall, upon application by the insured and proof of good health satisfactory to the Administrator and payment of such extra premium as the Administrator shall prescribe, include in any National Service Life Insurance policy on the life of the insured (except a policy issued under section 620 of the National Service Life Insurance Act of 1940, or section 722 of this title) provisions whereby an insured who is shown to have become totally disabled for a period of six consecutive months or more commencing after the date of such application and before attaining the age of sixty and while the payment of any premium is not in default, shall be paid monthly disability benefits from the first day of the seventh consecutive month of and during the continuance of such total disability of \$10 for each \$1,000 of such insurance in effect when such benefits become payable. The total disability provision authorized under this section shall not be added to a policy containing the total disability coverage heretofore issued under section 602(v) of the National Service Life Insurance Act of 1940, except upon surrender of such total disability coverage, proof of good health satisfactory to the Administrator, and payment of such extra premium as the Administrator shall determine is required in such cases. Participating policies containing additional provisions for the payment of disability benefits may be separately classified for the purpose of dividend distribution from otherwise similar policies not containing such benefit.

**§ 716. Insurance which matured before August 1, 1946**

(a) Insurance which matured before August 1, 1946, is payable in the following manner;

(1) If the beneficiary to whom payment is first made was under thirty years of age at the time of maturity, in two hundred and forty equal monthly installments.

(2) If the beneficiary to whom payment is first made was thirty or more years of age at the time of maturity, in equal monthly installments for one hundred and twenty months certain, with such payments continuing during the remaining lifetime of such beneficiary.

(3) If elected by the insured or a beneficiary entitled to make such an election under prior provisions of law, as a refund life income in monthly installments payable for such period certain as may be required in order that the sum of the installments certain, including a last installment of such reduced amount as may be necessary, shall equal the face value of the contract, less any indebtedness, with such payments continuing throughout the lifetime of the first beneficiary. A refund life income optional settlement is not available in any case in which such settlement would result in payments of installments over a shorter period than one hundred and twenty months. If the mode of payment is changed to a refund life income in accordance with prior provisions of law, after payment has commenced, payment of monthly installments will be adjusted as of the date of maturity of such policy with credit being allowed for payments previously made on the insurance.

(b) Such insurance shall be payable only to a widow, widower, child, parent, brother or sister of the insured. Any installments certain of such insurance remaining unpaid at the death of any beneficiary

shall be paid in equal monthly installments in an amount equal to the monthly installments paid to the first beneficiary, to the person or persons then in being within the following classes, and in the order named, unless designated by the insured in a different order:

(1) To the widow or widower of the insured, if living.

(2) If no widow or widower, to the child or children of the insured, if living, in equal shares.

(3) If no widow, widower, or child, to the parent or parents of the insured who last bore that relationship, if living, in equal shares.

(4) If no widow, widower, child, or parent, to the brothers and sisters of the insured, if living, in equal shares.

(c) The provisions of this section shall not be construed to enlarge the classes of beneficiaries heretofore authorized under section 602(d) of the National Service Life Insurance Act of 1940, for payment of gratuitous insurance.

(d) If no beneficiary of insurance which matured before August 1, 1946, was designated by the insured or if the designated beneficiary did not survive the insured, the beneficiary shall be determined in accordance with the order specified in subsection (b) and the insurance shall be payable in equal monthly installments in accordance with subsection (a). The right of any beneficiary to payment of any installments of such insurance shall be conditioned upon his or her being alive to receive such payments. No person shall have a vested right to any installment or installments of any such insurance and any installments not paid to a beneficiary during such beneficiary's lifetime shall be paid to the beneficiary or beneficiaries within the permitted class next entitled to priority, as provided in subsection (b).

(e) No installments of insurance which matured before August 1, 1946, shall be paid to the heirs or legal representatives as such of the insured or of any beneficiary, and if no person within the permitted class survives to receive the insurance or any part thereof no payment of the unpaid installments shall be made, except that if the reserve of a contract of converted National Service Life Insurance, together with dividends accumulated thereon, less any indebtedness under such contract, exceeds the aggregate amount paid to beneficiaries, the excess shall be paid to the estate of the insured unless the estate of the insured would escheat under the laws of his place of residence, in which event no payment shall be made. When the amount of an individual monthly payment of such insurance is less than \$5, such amount may, in the discretion of the Administrator, be allowed to accumulate without interest and be disbursed annually.

(f) Any payments of insurance made to a person, represented by the insured to be within the permitted class of beneficiaries, shall be deemed to have been properly made and to satisfy fully the obligation of the United States under such insurance policy to the extent of such payments.

#### **§ 717. Insurance maturing on or after August 1, 1946**

(a) The insured shall have the right to designate the beneficiary or beneficiaries of insurance maturing on or after August 1, 1946, and shall, subject to regulations, at all times have the right to change the beneficiary or beneficiaries of such insurance without the consent of such beneficiary or beneficiaries.



(b) Insurance maturing on or after August 1, 1946, shall be payable in accordance with the following optional modes of settlement:

(1) In one sum.

(2) In equal monthly installments of from thirty-six to two hundred and forty in number, in multiples of twelve.

(3) In equal monthly installments for one hundred and twenty months certain with such payments continuing during the remaining lifetime of the first beneficiary.

(4) As a refund life income in monthly installments payable for such period certain as may be required in order that the sum of the installments certain, including a last installment of such reduced amount as may be necessary, shall equal the face value of the contract, less any indebtedness, with such payments continuing throughout the lifetime of the first beneficiary; however, such optional settlement shall not be available in any case in which such settlement would result in payments of installments over a shorter period than one hundred and twenty months.

(c) Unless the insured elects some other mode of settlement, such insurance shall be payable to the designated beneficiary or beneficiaries in thirty-six equal monthly installments. The first beneficiary may elect to receive payment under any option which provides for payment over a longer period of time than the option elected by the insured, or if no option has been elected by the insured, in excess of thirty-six months. If the option selected requires payment to any one beneficiary of monthly installments of less than \$10, the amount payable to such beneficiary shall be paid in such maximum number of monthly installments as are a multiple of twelve as will provide a monthly installment of not less than \$10. If the present value of the amount payable at the time any person initially becomes entitled to payment thereof is not sufficient to pay at least twelve monthly installments of not less than \$10 each, such amount shall be payable in one sum. Options (2) and (4) shall not be available if any firm, corporation, legal entity (including the estate of the insured), or trustee is beneficiary, or in any case in which an endowment contract matures by reason of the completion of the endowment period.

(d) If the beneficiary of such insurance is entitled to a lump-sum settlement but elects some other mode of settlement and dies before receiving all the benefits due and payable under such mode of settlement, the present value of the remaining unpaid amount shall be payable to the estate of the beneficiary. If no beneficiary is designated by the insured, or if the designated beneficiary does not survive the insured, or if a designated beneficiary not entitled to a lump-sum settlement survives the insured, and dies before receiving all the benefits due and payable, then the commuted value of the remaining unpaid insurance (whether accrued or not) shall be paid in one sum to the estate of the insured. In no event shall there be any payment to the estate of the insured or of the beneficiary of any sums unless it is shown that any sums paid will not escheat.

### § 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 or 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.

#### **§ 719. National Service Life Insurance appropriation**

(a) The National Service Life Insurance appropriation is continued and there is authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out the provisions of this chapter and the provisions heretofore prescribed in the National Service Life Insurance Act of 1940, or related Acts, for the payment of liabilities under National Service Life Insurance. Payment from this appropriation shall be made upon and in accordance with awards by the Administrator.

(b) All premiums heretofore and hereafter paid on insurance issued or reinstated under subsections 602(c)(2) and 602(v)(1) of the National Service Life Insurance Act of 1940 where the requirement of good health was waived under such subsections because of a service-incurred injury or disability shall be credited directly to the National Service Life Insurance appropriation and any payments of benefits heretofore and hereafter made on such insurance shall be made directly from such appropriation.

#### **§ 720. National Service Life Insurance Fund**

(a) The National Service Life Insurance Fund heretofore created in the Treasury is continued as a permanent trust fund. Except as otherwise provided in this chapter, all premiums paid on account of National Service Life Insurance 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 insurance, including payment of dividends and refunds of unearned premiums. Payments from this fund shall be made upon and in accordance with awards by the Administrator.

(b) The Administrator is authorized to set aside out of such 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.

**§ 721. Extra hazard costs**

(a) The United States shall bear the excess mortality cost and the cost of waiver of premiums on account of total disability traceable to the extra hazard of military or naval service, as such hazard may be determined by the Administrator.

(b) Whenever benefits under insurance become payable because of the death of the insured as the result of disease or injury traceable to the extra hazard of military or naval service, as such hazard may be determined by the Administrator, the liability for payment of such benefits shall be borne by the United States in an amount which, when added to the reserve of the policy at the time of death of the insured will equal the then value of such benefits under such policy. Where life contingencies are involved in the calculation of the value of such benefits of insurance heretofore or hereafter matured, the calculation of such liability or liabilities shall be based upon such mortality table or tables as the Administrator may prescribe with interest at the rate of 3 per centum per annum. The Administrator shall transfer from time to time from the National Service Life Insurance appropriation to the National Service Life Insurance Fund such sums as may be necessary to carry out the provisions of this section.

(c) Whenever the premiums under insurance are waived because of the total disability of the insured as the result of disease or injury traceable to the extra hazard of military or naval service, as such hazard may be determined by the Administrator, the premiums so waived shall be paid by the United States and the Administrator shall transfer from time to time an amount equal to the amount of such premiums from the National Service Life Insurance appropriation to the National Service Life Insurance Fund.

(d) Whenever benefits under the total disability income provision become, or have become, payable because of total disability of the insured as a result of disease or injury traceable to the extra hazard of the military or naval service, as such hazard may be determined by the Administrator, the liability shall be borne by the United States, and the Administrator shall transfer from the National Service Life Insurance appropriation to the National Service Life Insurance Fund from time to time any amounts which become, or have become, payable to the insured on account of such total disability, and to transfer from the National Service Life Insurance Fund to the National Service Life Insurance appropriation the amount of the reserve held on account of the total disability benefit. When a person receiving such payments on account of total disability recovers from such disability, and is then entitled to continue protection under the total disability income provision, the Administrator shall transfer to the National Service Life Insurance Fund a sum sufficient to set up the then required reserve on such total disability benefit.

(e) Any disability for which a waiver was required as a condition to tendering a person a commission under Public Law 816, Seventy-seventh Congress, shall be deemed to be a disability resulting from an injury or disease traceable to the extra hazard of military or naval service for the purpose of applying this section.

**§ 722. Service disabled veterans' insurance**

(a) Any person who is released from active military, naval, or air service, under other than dishonorable conditions on or after April 25, 1951, and is found by the Administrator to be suffering from a dis-

ability or disabilities for which compensation would be payable if 10 per centum or more in degree and except for which such person would be insurable according to the standards of good health established by the Administrator, shall, upon application in writing made within one year from the date service-connection of such disability is determined by the Veterans' Administration and payment of premiums as provided in this subchapter, be granted insurance by the United States against the death of such person occurring while such insurance is in force. If such a person is shown by evidence satisfactory to the Administrator to have been mentally incompetent during any part of the one-year period, application for insurance under this section may be filed within one year after a guardian is appointed or within one year after the removal of such disability as determined by the Administrator, whichever is the earlier date. If the guardian was appointed or the removal of the disability occurred before January 1, 1959; application for insurance under this section may be made within one year after that date. Insurance granted under this section shall be issued upon the same terms and conditions as are contained in the standard policies of National Service Life Insurance except (1) the premium rates for such insurance shall be based on the Commissioners 1941 Standard Ordinary Table of Mortality and interest at the rate of 2¼ per centum per annum; (2) all cash, loan, paid-up, and extended values shall be based upon the Commissioners 1941 Standard Ordinary Table of Mortality and interest at the rate of 2¼ per centum per annum; (3) all settlements on policies involving annuities shall be calculated on the basis of The Annuity Table for 1949 and interest at the rate of 2¼ per centum per annum; (4) insurance granted under this section shall be on a nonparticipating basis and all premiums and other collections therefor shall be credited directly to a revolving fund in the Treasury of the United States, and any payments on such insurance shall be made directly from such fund. Appropriations to such fund are hereby authorized. As to insurance issued under this section, waiver of premiums pursuant to section 602(n) of the National Service Life Insurance Act of 1940 and section 712 of this title shall not be denied on the ground that the service-connected disability became total before the effective date of such insurance.

(b) (1) Any person who, on or after April 25, 1951, was otherwise qualified for insurance under the provisions of section 620 of the National Service Life Insurance Act of 1940, or under subsection (a) of this section, but who did not apply for such insurance and who is shown by evidence satisfactory to the Administrator (A) to have been mentally incompetent from a service-connected disability, (i) at the time of release from active service, or (ii) during any part of the one-year period from the date the service connection of a disability is first determined by the Veterans' Administration, or (iii) after release from active service but is not rated service-connected disabled by the Veterans' Administration until after death; and (B) to have remained continuously so mentally incompetent until date of death; and (C) to have died before the appointment of a guardian, or within one year after the appointment of a guardian; shall be deemed to have applied for and to have been granted such insurance, as of the date of death, in an amount which, together with any other United States Government or National Service life insurance in force, shall aggregate \$10,000. The date to be used for determining whether

such person was insurable according to the standards of good health established by the Administrator, except for the service-connected disability, shall be the date of release from active service or the date the person became mentally incompetent, whichever is the later.

(2) Payments of insurance granted under subsection (b)(1) of this section shall be made only to the following beneficiaries and in the order named—

(A) to the widow or widower of the insured, if living and while unremarried;

(B) if no widow or widower entitled thereto, to the child or children of the insured, if living, in equal shares;

(C) if no widow or widower or child entitled thereto, to the parent or parents of the insured who last bore that relationship, if living, in equal shares.

(3) No application for insurance payments under this subsection shall be valid unless filed in the Veterans' Administration within two years after the date of death of the insured or before January 1, 1961, whichever is the later, and the relationship of the applicant shall be proved as of the date of death of the insured by evidence satisfactory to the Administrator. Persons shown by evidence satisfactory to the Administrator to have been mentally or legally incompetent at the time the right to apply for death benefits expires, may make such application at any time within one year after the removal of such disability.

(4) Notwithstanding the provisions of section 717 of this title, insurance under this subsection shall be payable at the election of the first beneficiary in 240 equal monthly installments or under the options specified in section 717(b) (3) or (4) of this title. Any installments certain of insurance remaining unpaid at the death of any beneficiary shall be paid in equal monthly installments in an amount equal to the monthly installments paid to the first beneficiary, to the person or persons then in being within the classes specified in subsection (b)(2) of this section and in the order named.

(5) The right of any beneficiary to payment of any installments shall be conditioned upon his or her being alive to receive such payments. No person shall have a vested right to any installment or installments of any such insurance and any installments not paid to a beneficiary during such beneficiary's lifetime shall be paid to the beneficiary or beneficiaries within the permitted class next entitled to priority, as provided in subsection (b)(2) of this section. No installments of such insurance shall be paid to the heirs or legal representatives as such of the insured or of any beneficiary, and if no person within the permitted class survives to receive the insurance or any part thereof no payment of unpaid installments shall be made.

### § 723. Veterans' special term insurance

(a) Insurance heretofore granted under the provisions of section 621 of the National Service Life Insurance Act of 1940, against the death of the policyholder occurring while such insurance is in force, is subject to the same terms and conditions as are contained in standard policies of National Service Life Insurance on the five-year level premium term plan except (1) such insurance may not be exchanged for or converted to insurance on any other plan; (2) the premium rates for such insurance shall be based on the Commissioners 1941 Standard Ordinary Table of Mortality and interest at the rate of

2½ per centum per annum; (3) all settlements on policies involving annuities shall be calculated on the basis of The Annuity Table for 1949, and interest at the rate of 2½ per centum per annum; (4) such insurance and any total disability provision added 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 term insurance and any total disability provision added thereto shall be made directly from such fund. Appropriations to such fund are hereby authorized.

(b) Any term insurance heretofore issued under section 621 of the National Service Life Insurance Act of 1940, may be converted to a permanent plan of insurance or exchanged for a policy of limited convertible five-year level premium term insurance issued under this subsection. Insurance issued under this subsection shall be issued upon the same terms and conditions as are contained in the standard policies of National Service Life Insurance except (1) after September 1, 1960, limited convertible term insurance may not be issued or renewed on the term plan after the insured's fiftieth birthday; (2) the premium rates for such limited convertible term or permanent plan insurance shall be based on table X-18 (1950-54 Intercompany Table of Mortality) and interest at the rate of 2½ per centum per annum; (3) all settlements on policies involving annuities on insurance issued under this subsection shall be calculated on the basis of The Annuity Table for 1949, and interest at the rate of 2½ per centum per annum; (4) all cash, loan, paid-up, and extended values, and, except as otherwise provided in this subsection, all other calculations in connection with insurance issued under this subsection shall be based on table X-18 (1950-54 Intercompany Table of Mortality) and interest at the rate of 2½ per centum per annum; (5) insurance and any total disability provision added thereto issued under this subsection shall be on a nonparticipating basis and all premiums and other collections therefor shall be credited directly to the revolving fund referred to in subsection (a) and payments on such insurance and any total disability provision added hereto shall be made directly from such fund.

(c) The Administrator is authorized to invest in, and the Secretary of the Treasury is authorized to sell and retire, special interest-bearing obligations of the United States for the account of the revolving fund with a maturity date as may be agreed upon by the Administrator and Secretary. The rate of interest on such obligations shall be fixed by the Secretary of the Treasury at a rate equal to the rate of interest, computed as of the end of the month preceding the date of issue of such obligations, borne by all marketable interest-bearing obligations of the United States then forming a part of the public debt that are not due or callable until after the expiration of five years from the date of original issue; except that where such average rate is not a multiple or 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 average rate.

(d) The Administrator shall determine the amount in the revolving fund referred to in subsection (a) of this section which is in excess of the actuarial liabilities of such fund including contingency reserves. Such excess shall be paid in cash as a special dividend, without interest, subject to the conditions provided in this subsection.

The Administrator shall determine the administrative cost to the Veterans' Administration of paying such dividend, which cost shall be deducted from the excess and transferred to the appropriations "General operating expenses—Veterans' Administration". Insurance issued under section 621 of the National Service Life Insurance Act of 1940 or converted or exchanged under subsection (b) of this section, which was in force by waiver or timely payment of premiums or as paid-up or extended term insurance during one of the premium months beginning with the month of November 1960 and ending with the month of January 1961, may be eligible for the special dividend, subject to such conditions, other than specified in this subsection, as the Administrator shall determine to be reasonable and practicable. The dividend shall be paid as soon as practicable after whichever of the following dates is the latest:

(1) the date of enactment of this subsection in case of insurance heretofore converted or exchanged under subsection (b) of this section;

(2) the date insurance issued under section 621 is converted or exchanged under subsection (b) of this section if such conversion or exchange is made within two years after the date of enactment of this subsection; or

(3) the date of death of the policyholder where insurance issued under section 621 is not converted or exchanged and such death occurs on or after the premium due date in November 1960 and before the expiration of two years after the date of enactment of this subsection.

(e) After March 1, 1961, the Administrator shall from time to time transfer from the revolving fund referred to in subsection (a) of this section to general fund receipts in the Treasury such amounts as he determines are in excess of the actuarial liabilities of the fund including contingency reserves."

#### § 724. In-service waiver of premiums

(a) Waiver of all premiums on five-year level premium term insurance and that portion of any permanent insurance premiums representing the cost of the pure insurance risk, as determined by the Administrator, granted on National Service Life Insurance or United States Government life insurance under section 622 of the National Service Life Insurance Act of 1940 and in effect on January 1, 1959, shall, unless canceled, continue in effect according to the provisions of such section for the remainder of the insured's continuous active service and for one hundred and twenty days thereafter. Such premium waiver renders the contract of insurance nonparticipating during the period the waiver is in effect.

(b) Whenever benefits become payable because of the maturity of such insurance while under the premium waiver continued by this section, liability for payment of such benefits shall be borne by the United States in an amount which, when added to any reserve of the policy at the time of maturity, will equal the then value of such benefits under such policy. Where life contingencies are involved in the calculation of the value of such benefits, the calculation of such liability or liabilities shall be based upon such mortality table or tables as the Administrator may prescribe with interest at the rate of 2½ per centum per annum as to insurance issued under sections 620 and 621 of the National Service Life Insurance Act of 1940, at



the rate of 3 per centum per annum as to other National Service Life Insurance, and 3¼ per centum per annum as to United States Government life insurance. The Administrator shall transfer from time to time from the National Service Life Insurance appropriation to the National Service Life Insurance Fund and from the military and naval insurance appropriation to the United States Government Life Insurance Fund such sums as may be necessary to carry out the provisions of this 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 not be issued or 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 at the time of issue by such an amount as the Administrator determines to be necessary for sound actuarial operations; and thereafter such premium may be adjusted as the Administrator determines to be so necessary but at intervals of not less than two years; (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 non-participating 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 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.

(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 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 not be issued or 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 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 thirty-one 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 one hundred and twenty 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 one hundred and twenty day period specified above. A person whose paid-up policy was so terminated may reinstate such paid-up insurance within the one hundred and twenty 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 one hundred and twenty 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.*

