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NATIONAL SERVICE LIFE INSURANCE

JUNE 13, 1963.—Ordered to be printed

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

REPORT

[To accompany H.R. 220]

The Committee on Finance, to whom was referred the bill (H.R. 220) to amend section 704 of title 38, United States Code, to permit the conversion or exchange of policies of National Service Life Insurance to a new modified plan, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

PURPOSE OF BILL AS AMENDED

The purpose of the bill as passed by the House of Representatives is 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. The committee amendment, which bears the approval of the Veterans' Administration, restores for 1 year (beginning 6 months from date of enactment) the eligibility of veterans who had active service between October 8, 1940, and December 31, 1956, inclusive, to apply for National Service Life Insurance. There would be two types of insurance (both of which would be nonparticipating-no dividends) one to persons in good health and another to persons with service-connected disabilities. However, term insurance could not be initially issued or renewed after the applicant's 50th birthday. The administrative cost would be borne by the insureds.

GENERAL STATEMENT

The new modified plan for veterans 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.

The premium rates on participating insurance would be based on the 1958 commissioners standard ordinary basic 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 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, attention is called to the case of a veteran, age 78, who is paying $1,200 annual premium on a $10,000 policy. He has 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. The committee by approving this legislation is endeavoring to prevent occurring 20 or 25 years hence what has already occurred in the case of World War I policyholders.

The cost estimate is given in the following letter from the Administrator of Veterans' Affairs in which enactment of this legislation was advocated.

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., January 23, 1963.

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

DEAR MR. PRESIDENT: There is transmitted herewith a draft of a bill to permit the conversion or exchange of policies of National Service Life Insurance for a new modified life plan.

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

On nonparticipating insurance the premium rates and guaranteed values on the modified life plan will be based on the same mortality tables and interest rates as the existing insurance, with one exception. the premium rates of insurance issued under section 621 of the National Service Life Insurance Act are based on the commissioners 1941 standard ordinary table of mortality with interest at the rate of 2¼ percent per annum. Such policyholders can at the present time convert or exchange their term policy for insurance issued under 38 U.S.C. 723(b). The premium rates and guaranteed values of insurance issued under that provision are based on table X–18 (1950–54 intercompany table of mortality) and interest at the rate of 2¼ 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) would be 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 draft 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 draft bill authorizes service-disabled persons who have been issued insurance under 38 U.S.C. 722 (a) to convert or exchange their insurance for the modified life plan. It also permits the original issue of insurance on the modified life plan to eligible persons qualifying for insurance under section 722(a).

The draft bill provides that it shall become effective 6 months after the date of enactment. This period will be required to enable the Veterans' Administration to prepare instructions, print the necessary forms, train personnel, and otherwise prepare for the additional workload which we anticipate the enactment of this measure will create.

The Veterans' Administration, Members of Congress, and veterans' organizations are aware of the problems that arise because of failure on the part of veterans to convert their term policies. This awareness was manifested in the 87th Congress by the enactment of Public Law 87–549, which authorized the issue of a new endowment at age

96-plan policy at a reduced premium rate for those World War I U.S. Government life insurance (USGLI) term policyholders age 65 or over who are paying very high premiums because they failed to heed the advice of the Veterans' Administration to convert their policies at a younger age to a permanent plan of insurance. While the number of USGLI term policyholders is not large (around 12,000 of whom 80 percent are age 60 or higher), there are about 3 million NSLI policyholders who are continuing their insurance on the term plan. The Veterans' Administration is very much concerned with the magnitude of the problem that will develop 20 to 25 years hence as the World War II NSLI policyholders attain the advanced ages where term premium rates become progressively more burdensome with each renewal. Enactment of the draft bill would grant relief to the World War II group similar in purpose to that provided for the World War I group by enactment of Public Law 87-549.

The modified life plan proposed by the draft 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	15.94	36.94	20.84	54.23
55	25.22	20.95	46.53	25.22	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 proposal. 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 draft bill would be as follows:

1st year	$206,000	4th year	$183,000
2d year	167,000	5th year	71,000
3d year	219,000		

Since this proposal will tend to alleviate the problem of NSLI term policyholders at the older ages, the Veterans' Administration strongly recommends favorable action by the Congress on the enclosed draft bill.

The Bureau of the Budget advises that there is no objection to the submission of this proposal to the Congress from the standpoint of the administration's program and, further, that it believes there is merit in the proposal.

Sincerely,

W. J. DRIVER,
Deputy Administrator
(For and in the absence of
J. S. Gleason, Jr., Administrator.)

As amended by the Senate Committee on Finance the bill also 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.

Section 2 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 6 months after the date the bill is enacted into law.

Two 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 3 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 (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.

Issuance 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.

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	33.98
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	38.83	46.53
38	17.17	23.44	56	40.84	48.89
39	18.11	24.15	57	43.21	51.38
40	18.82	25.10	58	45.46	53.99
41	10.65	25.93	59	48.07	56.83
42	20.60	26.87	60	47.00	50.91

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.

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 $6,580,000 for the first year; $4,408,500 for the second year; $2,989,750 for the third year; $2,945,000 for the fourth year; and $2,867,250 for the fifth year. In reality, this is a bookkeeping transaction 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.

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 (new matter is printed in italic; existing law in which no change is proposed is shown in roman):

TITLE 38, UNITED STATES CODE

CHAPTER 19—INSURANCE

SUBCHAPTER I—NATIONAL SERVICE LIFE INSURANCE

Sec.

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725. Limited period for acquiring insurance.

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§ 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 are 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 Basic 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 Basic 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.

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§ 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 increased at the time of issue by such an amount as the Administrator determines to be necessary for sound actuarial operations and thereafter such premiums 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 nonparticipating basis and all premiums and other collections therefor shall be credited to a revolving fund established 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 preimum 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) 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; (6) 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; (7) the insurance shall include such other changes in terms and conditions as the Administrator determines to be reasonable and practicable; (8) 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 or active duty for training under a call or order to such duty for a period of thirty-one days or more.

(f) (1) Whenever insurance issued under this section and any total disability income provision attached thereto is terminated as provided in this section, 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 for such reinstatement or replacement. The provisions of the immediately preceding sentence shall not be applicable in any case in which such total disability existed prior to the date of application for, or the effective date of, the insurance originally issued under this section.

(2) Any person whose rights under a term or permanent plan policy or any total disability income provision attached thereto were terminated under 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 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.

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