

10

# INDEMNITY INSURANCE COVERAGE FOR COMBAT SERVICE

---

---

1637-3

## HEARING BEFORE THE COMMITTEE ON FINANCE UNITED STATES SENATE EIGHTY-NINTH CONGRESS

FIRST SESSION

ON

### S. 2127

A BILL TO AMEND TITLE 38, UNITED STATES CODE, IN ORDER  
TO PROVIDE SPECIAL INDEMNITY INSURANCE FOR MEMBERS  
OF THE ARMED FORCES SERVING IN COMBAT ZONES

S. 2158

AUGUST 11, 1965

---

Printed for the use of the Committee on Finance



U.S. GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1965

**COMMITTEE ON FINANCE**

**HARRY FLOOD BYRD, Virginia, *Chairman***

**RUSSELL B. LONG, Louisiana**  
**GEORGE A. SMATHERS, Florida**  
**CLINTON P. ANDERSON, New Mexico**  
**PAUL H. DOUGLAS, Illinois**  
**ALBERT GORE, Tennessee**  
**HERMAN E. TALMADGE, Georgia**  
**EUGENE J. MCCARTHY, Minnesota**  
**VANCE HARTKE, Indiana**  
**J. W. FULBRIGHT, Arkansas**  
**ABRAHAM A. RIBICOFF, Connecticut**

**JOHN J. WILLIAMS, Delaware**  
**FRANK CARLSON, Kansas**  
**WALLACE F. BENNETT, Utah**  
**CARL T. CURTIS, Nebraska**  
**THRUSTON B. MORTON, Kentucky**  
**EVERETT MCKINLEY DIRKSEN, Illinois**

**ELIZABETH B. SPRINGER, *Chief Clerk***

# CONTENTS

	Page
Text of S. 2127.....	1
Report of the Bureau of the Budget.....	2
Statement of Senator Talmadge.....	3
Statement of Senator Smathers.....	5

## WITNESSES

Driver, Hon. William J., Administrator of Veterans' Affairs.....	5
Manza, Louis A., chairman, Committee on Affairs of Veterans and Service- men, the National Association of Life Underwriters; accompanied by Carlyle M. Dunaway, general counsel.....	36
Rood, Henry F., president, Lincoln National Life Insurance Co., Fort Wayne, Ind.; accompanied by Edward A. Lew, actuary and statistician, Metropolitan Life Insurance Co., New York, N.Y.....	25
Stover, Francis W., director, National Legislative Service, Veterans of Foreign Wars of the United States.....	21
Young, Paul R., Jr., acting chief, Personal Affairs Division, Air Force Military Personnel Center, Headquarters, U.S. Air Force.....	18

## COMMUNICATIONS

Disabled American Veterans, Statement of Charles L. Huber, national director of legislation.....	24
National Association of Life Underwriters, letter of Carlyle M. Dunaway, general council, to Hon. Herman E. Talmadge.....	42
Veterans' Administration, letter of Hon. W. J. Driver, Administrator, to the chairman.....	15



# INDEMNITY INSURANCE COVERAGE FOR COMBAT SERVICE

WEDNESDAY, AUGUST 11, 1965

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

The committee met, pursuant to notice, at 10 a.m., in room 2221, New Senate Office Building, Senator Herman E. Talmadge presiding.

Present: Senators Talmadge, Long, Smathers, Douglas, Williams, Carlson, Bennett, and Morton,

Also present: Elizabeth B. Springer, chief clerk.

Senator TALMADGE. The committee will come to order.

The distinguished chairman of the Finance Committee was called to the White House and will be late this morning.

The purpose of this hearing is to receive testimony with reference to S. 2127, which is authored by the Chair and cosponsored by the distinguished junior Senator from Florida, Senator Smathers, to create a special indemnity insurance for members of the armed services serving in combat zones.

(The bill referred to and the report of the Bureau of the Budget thereon follow!)

[S. 2127, 89th Cong., 1st sess.]

A BILL To amend title 38, United States Code, in order to provide special indemnity insurance for members of the Armed Forces serving in combat zones

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

“§ 789. Special indemnity insurance for members of the Armed Forces serving in combat zones

“(a) Any person on active duty with the Armed Forces in a combat zone shall, as provided in this section, be automatically insured by the United States, without cost to such person, against death in the principal amount of \$10,000. Such person shall be insured during the time that he serves in a combat zone, and shall be deemed to have been serving in a combat zone at the time of his death if he dies outside of a combat zone and (1) his death is determined by the Administrator to have been the direct result of an injury or disease incurred while serving in a combat zone, and (2) the injury or disease from which such person died was incurred not more than two years prior to death.

“(b) Upon certification by the Secretary of the military department concerned of the death of any person automatically insured under this section, the Administrator shall cause the indemnity to be paid as provided in subsection (c) only to the surviving spouse, child or children (including a stepchild, adopted child, or an illegitimate child if the latter was designated as beneficiary by the insured), parent (including a stepparent, parent by adoption, or person who stood in loco parentis to the insured at any time prior to entry into the active service for a period of not less than one year), brother, or sister of the insured, including those of the halfblood and those through adoption. The insured shall have the

right to designate the beneficiary or beneficiaries of the indemnity within the classes herein provided; to designate the proportion of the principal amount to be paid to each; and to change the beneficiary or beneficiaries without the consent thereof but only within the classes herein provided. If the designated beneficiary or beneficiaries do not survive the insured, or if none has been designated, the Administrator shall make payment of the indemnity to the first eligible class of beneficiaries according to the order set forth above, and in equal shares if the class is composed of more than one person. Unless designated otherwise by the insured, the term 'parent' shall include only the mother and father who last bore that relationship to the insured. Any installments of an indemnity not paid to a beneficiary during such beneficiary's lifetime shall be paid to the named contingent beneficiary, if any; otherwise, to the beneficiary or beneficiaries within the permitted class next entitled to priority, but no payment shall be made to the estate of any deceased person.

"(c) The indemnity shall be payable in equal monthly installments of one hundred and twenty in number with interest at the rate of 2¼ per centum per annum.

"(d) In the event any person was covered at the time of his death by automatic indemnity under this section and was also insured against such death under a contract of national service life insurance or United States Government life insurance, the indemnity authorized to be paid hereunder shall be a principal amount equal to the difference between the amount of insurance in force at the time of death and \$10,000.

"(e) The Administrator is authorized to promulgate such rules and regulations, not inconsistent with this section, as are necessary or appropriate to carry out its purposes.

"(f) There is hereby 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 section for the payment of liabilities under this section.

"(g) Any person guilty of mutiny, treason, spying, or desertion shall forfeit all rights to an indemnity under this section, but restoration to active duty after commission of any such offense shall restore all rights under this section. No indemnity shall be payable for death inflicted as a lawful punishment for crime or for military or naval offense, except when inflicted by an enemy, as defined by the President.

"(h) As used in this section the term 'combat zone' means any area outside the United States determined by the President to be an area in which units of the Armed Forces of the United States have engaged in combat operations on or after January 1, 1962, and before such date as may be determined by Presidential proclamation."

(b) The analysis of subchapter III of chapter 19 of such title is amended by adding at the end thereof the following:

"789. Special indemnity insurance for members of the Armed Forces serving in combat zones."

EXECUTIVE OFFICE OF THE PRESIDENT,

BUREAU OF THE BUDGET,

Washington, D.C., August 11, 1965.

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

DEAR MR. CHAIRMAN: This is in reply to your request for the views of the Bureau of the Budget concerning two similar bills, S. 2127 and S. 2158, to amend title 38, United States Code, in order to provide special indemnity insurance for members of the Armed Forces serving in combat zones.

The purpose of these bills is to authorize the payment of indemnity insurance in the amount of \$10,000 to survivors of members of the Armed Forces killed in a combat zone designated by the President.

The Bureau of the Budget is unable to support enactment of these bills.

Coverage by Government insurance or indemnification was available to members of the Armed Forces, wherever serving, during World War I, World War II, and the Korean conflict. Widespread dissatisfaction with this and other elements of survivorship protection for military dependents led the House to

establish, in 1954, a Select Committee on Survivor Benefits. The work of the committee culminated in the enactment of Public Law 84-881 (the Servicemen's and Veterans' Survivor Benefits Act).

The military survivorship system in effect prior to 1956 was the product of haphazard growth through the enactment of piecemeal and uncoordinated legislation considered and acted upon by numerous congressional committees. The result was grossly inadequate protection for many servicemen's survivors and excessive compensation for some through a pyramiding of benefits. The Servicemen's and Veterans' Survivor Benefits Act substituted a coordinated system designed to provide uniform and adequate protection for all survivors through a combination of death gratuities, dependency, and indemnity compensation, and social security benefits. Under this system, means for keeping all of the benefit levels current are built into the act, and all have been raised a number of times since 1956, most recently and notably with the sizable increase in social security benefits just enacted.

In recommending the bill which became the Servicemen's and Veterans' Survivor Benefits Act, the House select committee took the position that the dependency and indemnity compensation which it authorized represented a replacement of, and an increase in, the combined death compensation and indemnity insurance benefits previously authorized. In this connection, the committee stated: "Under the package benefits; that is, Veterans' Administration dependency and indemnity compensation plus social security, contained in its bill, the committee feels that the coverage provided is adequate for both peacetime and wartime conditions. The committee urges that, following enactment of the proposed legislation, the Congress, in the future, not consider adding insurance or any other supplementary survivor benefits beyond those provided in H.R. 7089."

The Bureau of the Budget believes that the passage of time and the experience gained amply testify to the soundness of the Servicemen's and Veterans' Survivor Benefits Act. We feel very strongly that the basic elements of the system established by that act should be retained as a framework within which to remedy any gaps or inadequacies in the survivorship protection afforded military dependents.

When U.S. servicemen are facing danger or death in a combat zone, as they are now in Vietnam, deep sympathy is naturally aroused by the loss and grief of the survivors of those who lose their lives fighting in such areas. It is important, however, to keep in mind that the loss and grief, as well as the needs, of these survivors are no greater than and no different from those of any other survivor of a man killed in the service of his country wherever the place and whatever the cause. Recognition of the special dangers and hardships faced by men in a combat zone is more appropriately and more desirably attained by provision of distinct awards and benefits directly to the serviceman.

In view of the foregoing, the Bureau of the Budget recommends against favorable consideration of S. 2127 and S. 2158 by your committee.

Sincerely yours,

PHILLIP S. HUGHES,  
*Assistant Director for Legislative Reference.*

Senator TALMADGE. In that connection, S. 2158 also was introduced in the Senate on June 17 by Senator Cooper for himself and Senator Aiken, Senator Anderson, Senator Carlson, Senator Dodd, Senator Fong, Senator Kuchel, Senator Long of Missouri, Senator Pell, Senator Randolph, and Senator Young from North Dakota, S. 2158 being identical to S. 2127.

The Chair at this time would, on behalf of himself, like to insert in the record a statement in support of the bill, S. 2127, and without objection it will be inserted in the record at this time.

(The statement referred to follows:)

#### STATEMENT OF SENATOR TALMADGE

Mr. Chairman and my colleagues on the Finance Committee, I am deeply grateful for the opportunity to appear before the committee to testify on behalf of S. 2127, which was introduced by our distinguished colleague, Senator Smathers, and myself.

This bill would provide special, cost free, indemnity life insurance for members of the Armed Forces serving in areas designated as combat zones by the President. It is retroactive to January 1, 1962, or such other date as the President may determine.

With the intensified efforts of the United States to assist South Vietnam in turning back Communist aggression, it is my view, which I believe to be shared by a majority of the American people, that adequate protection in terms of survivors' benefits should be provided for the families, widows, children, dependents, or parents of servicemen who lose their lives in this conflict.

Since January 1, 1962, approximately 600 American fighting men have honored their country for the cause of freedom and democracy with the supreme sacrifice on the battlegrounds of Vietnam. And with our military operations in this strife-torn country being expanded, it is unfortunate, but certain, that there will be many more American lives lost in this war. I remind you that troop requirements in Vietnam are now placed at 125,000 men, and not-too-distant projections indicate a total far in excess of that number. Furthermore, the Congress earlier this session appropriated an additional \$700 million to support the war and will soon be called upon to authorize an even further expenditure estimated in the billions. Again, I point out that the draft has doubled and studies are being made to determine whether Reserve units should be reactivated.

Although the Congress cannot guarantee U.S. servicemen preservation of life and limb in battle, we can, and should, afford them peace of mind by assuring them that in the event of their death, their loved ones back home will be provided some measure of economic security.

At the present time, American soldiers, sailors, and marines serving in Vietnam do not have such peace of mind. Unless they have been able, at great personal cost, to secure private life insurance, the future well-being and means of support of their families stand in great danger.

The serviceman bound for Vietnam finds it extremely difficult to find life insurance that he can buy to cover himself against the hazards there. Even if he is successful in finding an insurer, the cost is virtually prohibitive and the coverage grossly inadequate. At least one of the Nation's larger life insurance companies (Prudential) already has inserted "no payment" clauses in new policies of servicemen assigned to duty in Vietnam. Others are restricting the amount of coverage and a great many are considering the issuance of emasculated policies with "as of now" clauses. From the company's standpoint, it is simply not economically feasible to underwrite insurance on a Vietnam combatant.

Unless the Federal Government assumes this responsibility, as it should, the need for insurance protection of American combat servicemen will go unfulfilled. A member of the armed services today, who may be sent to fight for his country in the jungles of Vietnam, or to the Dominican Republic, or to some other battlefield in the world where his duty is needed to protect American interests, is not treated as kindly in this regard as was his World War I, World War II, and Korean war counterpart, as a comparison of death benefits reveals.

For the World War I and World War II servicemen, death compensation was fixed at \$180 a month, and subsequently increased to \$150 for a widow with two minor children. For the Korean war servicemen, the amount was \$150 monthly. Unfortunately, the widow of a Vietnam veteran is provided no death compensation benefits other than those now held by every other member of the armed services, and there is utterly no distinction between the servicemen who may be engaged in a peaceful mission and those who are engaged in hostilities with death as a constant companion.

National service life insurance provided \$89 a month for life to a surviving widow of the two world war veterans. Servicemen's indemnity, held by Korean war servicemen, was payable over a period of 10 years at the rate of \$92.90 per month. For the Vietnam servicemen there is neither contract insurance such as NSLI nor servicemen's indemnity.

In addition to a death gratuity, which was given to widows of both World Wars and Korea, and social security benefits, which were payable to Korean widows, the Vietnam widow has only dependency and indemnity compensation to sustain her.

Dependency and indemnity compensation is computed at the rate of \$120 monthly plus 12 percent of the deceased's adjusted base pay. The minimum payment is set at \$180 monthly and graduated on a scale reflecting higher rank and longer tenure of service. Payment may be increased where there are two or more children, up to \$28 for each child in excess of one, depending on amounts to which the family may be entitled under certain social security and railroad retirement provisions.



However, and this point deserves emphasis, the above-mentioned benefits payable upon the death of a serviceman in Vietnam, are equally payable upon the death of a serviceman who dies of pneumonia at Fort Benning or any other member of the armed services, regardless of where he may serve or the character of his duty at the time of death.

Completely ignoring precedent, the Government at the present time has failed to provide life insurance benefits for servicemen now fighting in Vietnam, or for those who may be called upon to take up arms for the United States at some other time, in some other part of the world.

It has always been the policy of the Federal Government in time of war to provide special, cost-free, life insurance for American servicemen. This is as it should be, for I am sure the committee will agree that there should be a greater premium on the life of a serviceman engaged in armed conflict in behalf of his country, than for those who are engaged in nonhazardous duty where the threat of injury or death is almost nonexistent.

Although the United States is not presently engaged in a declared war in South Vietnam, it is war nonetheless in virtually every sense of the term. American fighting men are being sent there by the thousands daily, and they are losing their lives daily. I contend, Mr. Chairman, that we should do no less for the American servicemen in Vietnam than we did for American men who fought in Europe and the Pacific, or in Korea.

Senator TALMADGE. On behalf of the distinguished junior Senator from Florida, Senator Smathers, the Chair also, without objection, will insert a statement in his behalf supporting S. 2127.

(The statement referred to follows:)

#### STATEMENT OF SENATOR SMATHERS

Mr. Chairman, I heartily support S. 2127, the proposal introduced by my distinguished colleague, Mr. Talmadge, of which I am a cosponsor, the purpose of which is to provide benefits to our Armed Forces personnel fighting to protect our own national interest, as well as for freemen throughout the world.

None of us doubts that we are engaged in a cold war that brings about the loss of life, as well as injury, to our Armed Forces personnel to the same extent as if we were engaged in a hot war declared by Congress.

As a result the families of many of these heroic men far from the shores of America suffer great sacrifices that should be shared by the American people as a whole.

These fathers and sons should be provided for by a grateful country, and I feel confident that the people of America, the Congress, and the President are anxious to provide indemnity protection for their families and for them in the event of death or disability resulting from enemy action.

The prosperous economy which we enjoy today is to a great extent attributable to those who sacrificed their lives for the cause of freedom. Their sacrifices are as great as those who have given up their lives or sustained injury in combat in our Nation's past wars.

I sincerely trust that the committee will take prompt and favorable action on this proposal. Knowing that we care at home about the future welfare of our Armed Forces personnel certainly will do much toward bolstering their spirits at times when many of us too often forget and take for granted the freedoms which we enjoy today as a result of their services to our country.

Senator TALMADGE. The first witness is the Honorable William J. Driver, Administrator of Veterans' Affairs.

Mr. Driver.

#### STATEMENT OF HON. WILLIAM J. DRIVER, ADMINISTRATOR OF VETERANS' AFFAIRS

Mr. DRIVER. Mr. Chairman, I am pleased for this opportunity to present views of the Veterans' Administration on S. 2127, 80th Congress, a bill to establish a program of free "special indemnity insurance" for members of the Armed Forces serving in combat zones.

This bill proposes to provide a maximum amount of \$10,000 free "special indemnity insurance" against death while on active duty with the Armed Forces in a combat zone, or death within 2 years after service if it is a direct result of an injury or disease incurred while serving in a combat zone. If the serviceman was also insured under a contract of U.S. Government life insurance (USGLI) or national service life insurance (NSLI), the indemnity payable would be the difference between the amount of his USGLI and NSLI and \$10,000.

The special indemnity insurance authorized under the bill would be payable in 120 monthly installments with interest at 2¼ percent per annum, and only to the surviving spouse, children, parents, or brothers or sisters of the insured. The insured would have the right to designate the beneficiaries within the classes named the proportion of the principal amount to be paid to each, and to change beneficiaries within the classes without the consent of the beneficiaries. Should the designated beneficiary not survive the insured, or if no beneficiary was designated, the indemnity would be payable to the first eligible class of beneficiaries among those named above. In such a case if a class is composed of more than one individual, payments would be made in equal shares among such individuals.

For the purposes of the bill the term "combat zone" would mean any area outside the United States determined by the President to be an area in which units of the Armed Forces of the United States have engaged in combat operations on or after January 1, 1962, and before such date as may be determined by Presidential proclamation.

The proposed special indemnity insurance program is very similar to the program of servicemen's indemnity authorized under Public Law 23, 82d Congress, approved April 25, 1951. This latter program continued in effect until repealed by Public Law 881, 84th Congress, effective January 1, 1957. Public Law 881 (the Servicemen's and Veterans' Survivor Benefits Act) consolidated the old death compensation benefit and the servicemen's indemnity benefit into a new and generally greater benefit called dependency and indemnity compensation payable for service-connected death to surviving widows, children, and, subject to certain income limitations, to parents.

The House Select Committee on Survivor Benefits, after a full and complete investigation and study of the various benefits provided under Federal law for the survivors of service personnel, reported H.R. 7089, which became Public Law 881, 84th Congress. The committee views with respect to insurance and indemnity benefits for servicemen were expressed (p. 26; pt. I, H. Rept. No. 993, 84th Con.) as follows:

#### MEANING OF DEPENDENCY AND INDEMNITY COMPENSATION

Special note should be taken that the committee has labeled future Veterans' Administration payments as "dependency and indemnity compensation." This has particular significance, for although the gratuitous indemnity is terminated under this bill the committee is of the opinion that the increased Veterans' Administration payments do reflect what was formerly both compensation and indemnity.

In testimony before the committee some witnesses have stated that in the event of another national emergency or war, where men entering the Armed Forces could not obtain additional survivor benefits via commercial insurance except with a war clause provision, it would be necessary for the Federal Government

to provide some insurance protection under a Government-sponsored and Government-underwritten program.

Under the package benefits—i.e., Veterans' Administration dependency and indemnity compensation plus social security—contained in its bill, the committee feels that the coverage provided is adequate for both peacetime and wartime conditions. The committee urges that, following enactment of the proposed legislation, the Congress, in the future, not consider adding insurance or any other supplementary survivor benefits beyond those provided in H.R. 7089.

After H.R. 7089 passed the House of Representatives, the subject matter was studied in detail by the staff of the Finance Committee for a period of 9 months and the committee held some 2 weeks of hearings on it. As you know, your committee then reported the proposal with a number of amendments, one of which provided, as set forth in the committee report, that—

as to deaths after January 1, 1957, the bill would suspend the Servicemen's Indemnity Act providing free insurance coverage of \$10,000 in peacetime, but this insurance would be revived in case of war or national emergencies involving hostilities.

The bill passed the Senate with this amendment. Therefore, however, the conferees rejected this amendment and the Servicemen's Indemnity Act was repealed.

Because of the many unknown factors involved, our estimate of the cost of S. 2127, if enacted, is based on a number of assumptions. First, it has been assumed that there have been approximately 650 deaths in, or as a result of injury or disease incurred in, a combat zone since January 1, 1962; that the U.S. Armed Forces in combat zones will be maintained at about 150,000; and that the mortality rates of such forces will be 8 per 1,000. These mortality assumptions will result, for the purposes of these cost estimates, in 1,200 deaths per year. The total incurred yearly cost would, therefore, be 1,200 times \$11,148 (includes interest factor), or \$13,377,600. Since these benefits, however, are paid in installments over a 10-year period, the annual budgetary cost would be \$2.2 million the first year, of which \$850,000 would cover retroactive installments; \$2.7 million the second year; \$4.1 million the third year; \$5.4 million the fourth year; and \$6.7 million the fifth year.

In the light of the foregoing, and in view of the additional fact that there is still a substantial availability of commercial insurance coverage for servicemen today, at least up to \$10,000, without regard to the geographical areas where service may be performed, we cannot recommend superimposing on the soundly based veterans' survivorship programs a revival of the old gratuitous indemnity payments as proposed by S. 2127.

That finishes my prepared statement, Mr. Chairman.

Senator TALMADGE. Mr. Driver, as I understand your testimony, you state that survivors' benefits drafted for peacetime troops are adequate for those who are being killed in South Vietnam now?

Mr. DRIVER. I am saying, Mr. Chairman, that for their survivors, the servicemen's dependency indemnity provision of the law is, in our opinion, a fairer way to approach compensation to the surviving members than a proposal which would have a terminal date such as a 10-year indemnity or something of that sort, because the survivors' benefits continue for the lifetime of the beneficiary.

Senator TALMADGE. You wouldn't quarrel with the fact that men are being drafted now and being sent over there many of which are shot at and killed in Vietnam at the present time, would you?

Mr. DRIVER. No, sir; I wouldn't.

Senator TALMADGE. Don't you think they ought to have and receive more benefits than some soldiers who might die of pneumonia during peacetime in Fort Benning, Ga.?

Mr. DRIVER. Well, sir, in that regard, I would have to say that since the serviceman has no choice as to where he would serve that to single out a particular kind of service for different treatment for the survivors doesn't seem to me to be fair.

Senator TALMADGE. Do you think it is fair to have the same benefits in time of peace as in time of war when people are being killed by the enemy?

Mr. DRIVER. If the person who died in time of peace, so-called, had an opportunity to choose where he would serve, I think you would have a different situation.

Senator TALMADGE. In time of peace they don't face any guns, do they?

Mr. DRIVER. No, sir. Of course, in time of peace we pay different rates to the servicemen. There is no question about that. But when you look at the needs of the survivor, regardless of how the veteran died, in terms of compensating his survivor, then it seems to us that we can't do anything for the man who is facing the guns and dies, there is no way of rewarding him. We have to look at his survivors and their needs.

Senator TALMADGE. Why is it that in World War I we provided for insurance for our servicemen who were killed in action? We did the same thing in World War II. We did the same thing in the Korean conflict, and yet you are advising the Senate Finance Committee not to do the same thing for Vietnam.

Mr. DRIVER. Well, sir, I am saying as a result of the experience in the three previous wars, I believe that there was considerable dissatisfaction with the fact that under an insurance proposal there was a terminal date for the benefits. The \$10,000, for example, or the indemnity payable at \$92.90 a month terminated 10 years after it started. At that point, in very many cases the widow still had children under age and no benefits to speak of coming in.

The encompassing of this indemnity feature in a combination with the old death compensation rate into something which we now have, which is \$120 at base, plus 12 percent of the man's base pay to continue for the lifetime of the widow is much fairer, in our opinion, and avoids this sudden breakoff in payments.

Senator TALMADGE. Have you received any of these letters, as I have, from some of the widows of the men who have been killed in Vietnam?

Mr. DRIVER. I would have to say, Mr. Chairman, that in terms of the widows we find considerably more satisfaction on their part with the present benefits they are drawing than with a situation where they lost the benefit at the end of 10 years.

Senator TALMADGE. I am not advocating that we lose that benefit. This would be an additional benefit to those who lose their lives in combat.

Mr. DRIVER. I think our feeling there, Mr. Chairman, is that the way to cope with this, if you feel that more is needed, is to build it into the existing structure instead of adding to it a feature which did have these defects in terms of stopping in midstream, so to speak, at the end of 10 years.

Senator TALMADGE. This would be an added feature only for those who were killed in combat zones.

Mr. DRIVER. I understand.

Senator TALMADGE. The existing law would continue in effect for all troops regardless of where they are assigned?

Mr. DRIVER. Yes, sir.

Senator TALMADGE. But I think someone who is killed at the hands of the enemy in Vietnam is entitled to more consideration by our Government than some soldier who is killed on the streets in Chicago, for instance, while he is on leave. Don't you believe that?

Mr. DRIVER. I wouldn't quarrel with that, Senator. But I still feel that the principle of the dependency benefit act which has no terminal date for any of the benefits, is a far sounder structure to build on than to give something which will terminate because regardless of how pleased the beneficiary is when it begins, they forget that at the end of 10 years, or however long it would take to pay it off, there is a terminal date here, which is difficult to cope with. They adjust their method of living to this, and you have some pretty pitiful cases as a result of that.

Senator TALMADGE. It is not true that a widow with two minor children would receive \$150 plus contract insurance benefits under benefit arrangements used in World War I and World War II, and the Korean conflict, whereas a Vietnam widow under the same circumstances would receive only \$149 and no contract benefits.

Mr. DRIVER. Yes; that is right, Senator. But we must bear in mind that in the Vietnam case there is also payable \$173 monthly in social security benefits.

Senator TALMADGE. So, actually, they are not being better cared for now, are they?

Mr. DRIVER. When you consider over the lifespan, the lifespan payment of the widow, the amounts payable based on life expectancy would be more under the current situation than they would under the other.

Senator TALMADGE. Let's get the private insurance. Isn't it true that most of the private insurers have a cancellation clause in them that abrogates the contract when they go into areas like Vietnam?

Mr. DRIVER. A certain number of them do; yes, sir.

Senator TALMADGE. And a great many more at the present time are changing their policies, so if a soldier has an insurance policy with one of the major private carriers and is sent into Vietnam he loses that insurance, does he not?

Mr. DRIVER. I believe that some do that. However, there are many major ones who do not, Senator.

Senator TALMADGE. They are rapidly revising policy in this regard, aren't they?

Mr. DRIVER. The situation certainly is changing.

Senator TALMADGE. Don't you think the Government ought to pick up where private insurers leave off and give some benefit to these soldiers we are drafting for combat missions; some of them against their will, and sending them over there to be killed?

Mr. DRIVER. I would say if private insurance were not substantially available, we would have a different story.

Senator TALMADGE. Do you think it is substantially available?

Mr. DRIVER. We are informed that it is; yes.

Senator TALMADGE. I am getting different reports. Some of them have policies that are still available, some have already canceled

them. Many of them have policies that negate the combat area such as that. Many of the other insurance companies are now making plans canceling them the moment they get into Vietnam, according to the information I am receiving.

Mr. DRIVER. But I understand also though that there are generally in this country, in every locality of the country, insurers who already issue insurance that is valid.

Senator TALMADGE. You wouldn't want to organize an insurance company for the purpose of insuring combat operations in Vietnam, would you?

Mr. DRIVER. No, sir. But I understand that those who have been organized a long time are able to do this.

Senator TALMADGE. Senator Williams.

Senator WILLIAMS. Mr. Driver, in the event that this were recognized as a war rather than closing our eyes to the situation in there, would that not be a part of the administration's recommendations immediately?

Mr. DRIVER. Insurance, sir?

Senator WILLIAMS. Yes.

Mr. DRIVER. No; I don't think so, Senator. I think we would stick to the survivors' dependency, and indemnity benefit compensation.

Senator WILLIAMS. This proposal doesn't extend to these men any benefits that the men in combat areas during World War II and the Korean war received, does it?

Mr. DRIVER. No, sir. But the survivors are entitled to a far greater benefit in the death compensation area than were the survivors of World War II.

Senator WILLIAMS. Yes; but this is not taking this away from them.

Mr. DRIVER. This proposal?

Senator WILLIAMS. No; this adds to.

Mr. DRIVER. As I understand it, it adds to it. It just has the defect in that it has a terminal date that is not associated with the other benefits.

Senator WILLIAMS. It is true that it has a terminal date, but would not these additional benefits be coming to these survivors at a time when they needed them most?

Mr. DRIVER. There is no question, Senator, but any additional amount paid to them would come at a time when they need it. That is certainly true. The question is in considering the needs of survivors overall, what is the best way to approach it, and we feel that the program which the Congress enacted about 10 years ago, based on experience with insurers, based on experience with indemnity, did substantially improve the program and that is the one that we should stick with.

Senator WILLIAMS. I noticed you emphasized the fact that with an estimated 1,200 deaths per year it would cost around \$13¼ to \$13½ million.

Mr. DRIVER. Yes, sir.

Senator WILLIAMS. But I saw the other day an estimate that this all-out war effort was going to cost about \$10 billion a year in South Vietnam. Are there not plenty of other areas where we could save this \$10 or \$13 million rather than on those who have lost their lives or on their survivors? I am not too impressed.

Mr. DRIVER. I am not talking about saving the money, really. We are talking about which is the best benefit structure to spend the money in. We do feel the other one is the best. Whether you would consider it adequate today is a totally different question, whether you would like to amend that or add to the benefits. We are talking about the nature of this benefit compared to the nature of that.

Senator WILLIAMS. I think there is additional consideration personally due these men who are in Vietnam in that they are taking this chance. This is particularly true if there are survivors. I feel they are entitled to some recognition.

At the time the committee changed this law in 1957 we were in an entirely different situation than we are now. We were not at war then.

Mr. DRIVER. No, sir, but we had the experience just previously of two wars where these benefits were disbursed in this fashion, and I think that Congress at that point was motivated to make certain that these terminal defects of insurance or indemnity were not visited on the future survivors of war. And for that reason they did change it this way.

Senator WILLIAMS. I appreciate your argument on that. I must say I am not too much impressed with it though. I think there is a lot of merit to this, and I hope the committee will report it. I shall join the sponsors of the bill in cosponsoring it.

Senator TALMADGE. Without objection, the distinguished Senator from Delaware will be designated a cosponsor.

Senator WILLIAMS. I think this is a most worthy recognition of what these men are contributing in this particular area.

Senator TALMADGE. Senator Morton, Senator Carlson. Incidentally, Senator Carlson is a cosponsor of the bill that was introduced by Senator Cooper which is identical to the one we are having hearings on.

Senator CARLSON. Just one or two questions.

I was interested in your response to the Senator from Georgia, Mr. Talmadge, in regard to these people who have insurance and whose companies cancel them out. There are some of those instances, are there not?

Mr. DRIVER. Senator, I have been told there are, but I would certainly hope that you would ask this of people from the industry, because I am sure they can give you more up-to-date information.

Senator CARLSON. I had some letters that said they were and that is the reason I asked. I have not checked it myself.

Mr. DRIVER. I am sure there are policies issued with cancellation clauses in them. If there is no cancellation clause I don't see how they can cancel it.

Senator CARLSON. My thought only was this—there will be boys over there who have insurance in private companies and there will also be the other side, boys who do not have as a result of cancellation, and that is the group I would really be concerned about, and I don't see how we can enact legislation that will not be general to take care of individual cases that I believe should be taken care of. That is my problem. I sincerely believe that we should take action.

I am in thorough accord with this legislation. It may be that we should make some further studies as to benefits that you have sug-

gested rather than what is in the bill, but as of now I don't see anything better before the committee, and I would hope if you had some thoughts you would come up with them.

Mr. DRIVER. I am sure, you will remember, Senator, when this was discussed in the fifties, and you were coming up against a terminal date for World War II insurance, for example, that the difficulties of the families faced with this prospect of losing income just at the point when in many cases they needed it most, were real, and for that reason I think that it was a very wise move on the part of the Congress to come up with a larger, substantially larger, basic benefit which did not have this defect. For that reason, I can't help but say on principle, and I am not quarreling at all with the attitude that people in Vietnam certainly are suffering and serving under more rigorous conditions than in peacetime, that on principle you should stick with the basic proposal and try to improve it, if possible.

Senator CARLSON. In your statement there I notice you say there have been approximately 650 deaths in or as a result of injury or disease incurred in combat zones since January 1, 1962.

Where would these zones be besides Vietnam? Do you have others listed as combat zones?

Mr. DRIVER. Probably Cambodia and Santo Domingo, for example.

Senator CARLSON. Did it include Panama? We had some difficulty down there.

Mr. DRIVER. I don't think it did, Senator.

Senator CARLSON. That is all, Mr. Chairman.

Senator TALMADGE. Senator Morton.

Senator MORTON. Mr. Driver, as I understand the burden of your testimony it is that the experience that we gained, especially from World War II and Korea, leads you to believe that we will do more for the family of a deceased member of the military service through the further implementation or the execution of the present law rather than go into this insurance field.

Mr. DRIVER. That is right, Senator.

Senator MORTON. Do you have any idea what the rate of casualty per—as measured against man-days in service would be for Korea, I mean for Vietnam—you have got me saying Korea now—for Vietnam against the whole overall military service?

Mr. DRIVER. No, sir; I am sorry, I don't, Senator. We have figures that indicate that we can assume that combat death rates would be at eight per thousand. This is from prior experience.

Now what it would be as against the total military service, without regard to combat, I can't give you that part of it. We undoubtedly could get figures on this and supply it for the record.

(The Administrator subsequently advised that the mortality observed currently in military service without regard to combat service is slightly over 2 per 1,000.)

Senator MORTON. If we pursued this problem along your lines and perhaps came with greater benefits for the widow and orphans of those in the military service who lose their lives wherever they might be, would you view that more sympathetically than you view the present bill?

Mr. DRIVER. Well, certainly we could start off on principle feeling that we were doing the right thing. We would then, of course, be



happy to work with the committee in developing any changes that it would think appropriate. But we would think on principle we were better grounded. Yes, sir.

Senator MORTON. Thank you, Mr. Chairman.

Senator TALMADGE. Mr. Driver, I understand your testimony to be that even though these men being sent over there against their will and shot at and some of them killed and some of them having private insurance canceled that the Government ought not to step in and assume a greater responsibility for them than they do for peacetime draftees who die in the continental limits of the United States.

Mr. DRIVER. No, sir; I don't say it that way. I say that—

Senator TALMADGE. That is the tenor of your testimony.

Mr. DRIVER. No, sir; I say that our problem and the responsibility of the country is to take care of the survivors of servicemen, and to take care of survivors, too, regardless of how and where the servicemen die, as long as they die in honorable service. And then the question is how do you best do that.

Now, to reward the man who serves there, the only way you can do that it seems to me is to pay him more for this kind of service. You can't reward him posthumously, and in both cases, regardless of whether he dies as a direct result of enemy action or as the result of an automobile accident, his survivors are in the same boat and to take care of them properly on principle, I think that we should use the same basic benefit statute, and the one we have got impresses me as being certainly as a platform to build on very adequately.

Senator TALMADGE. We don't award the Medal of Honor for someone who dies in peacetime in this country.

Mr. DRIVER. That is right, sir.

Senator TALMADGE. We do when he goes into combat.

Mr. DRIVER. Yes, sir; and it seems that is the way we honor that man. It is very difficult to talk in dollars and cents, to speak of compensating for death in combat, or in any other heroic way.

Senator TALMADGE. You expressed an objection to the termination feature of the bill pending before the committee. Is it not true that the servicemen's indemnity benefit plan used in Korea terminated in 10 years?

Mr. DRIVER. Yes, sir; the indemnity.

Senator TALMADGE. Also you contend that additional benefits should be merged into the restructuring of DIC benefits. Would the increment in benefits that you suggest we provide be available to both combat and noncombat service alike?

Mr. DRIVER. I am sorry, I didn't get the purport of that question.

Senator TALMADGE. You contend that the additional benefits, whatever they may be or whatever Congress may authorize, should be merged in the present structure of DIC benefits. Would the increment in benefits as you suggested be available to both combat and noncombat servicemen?

Mr. DRIVER. Well, this goes to your earlier question, Senator. It was my feeling that regardless of the nature of the death, to take care of the survivors, whether it be from pneumonia, as you indicated, or from a combat wound, that the problem of taking care of survivors is identical, and therefore the money should go to both categories. If

you wanted to reward the man for the nature of his service, it seems to me that there should be some other method.

Senator TALMADGE. I think there are two distinctions there that you apparently fail to perceive. One, this man was forced against his will—some of them, of course, have volunteered—to die at the hands of enemy action.

Mr. DRIVER. Yes, sir.

Senator TALMADGE. The other situation is where he might die of a natural cause or an accident in this country?

Mr. DRIVER. Yes, sir.

Senator TALMADGE. I think the Government ought to do more for a man who dies at the hands of the enemy than someone who dies of ill health, for instance, don't you?

Mr. DRIVER. Well, sir, if the man who died of pneumonia in this country had a choice as to where he could serve, I could see the difference. Also, if his widow, compared to the widow of the man who died in combat, has the same needs and if we are going to take care of those needs, basically it seems to me that the law would have to provide for them in the same fashion.

To reward the man, as I indicated before, it seems to me there is a different problem there. I would be in sympathy with doing anything to assist him because certainly he is the hero in the situation.

Senator TALMADGE. But peacetime servicemen can get peacetime insurance, combat veterans can't; isn't that true?

Mr. DRIVER. I understand that insurance up to \$10,000 is pretty generally available today regardless of where a man serves.

Senator TALMADGE. I understand a great many of them have already been canceled. I received letters from some of the families of men who have been sent overseas that say they cannot get insurance at private hands, and if they can't get insurance from private carriers don't you think the Government ought to provide it?

Mr. DRIVER. Well, if they could not get it, if it was not available today I think we would have a different situation. But whether or not it is available it seems to me is a pure matter of fact that could be established with the industry, and our understanding is that it is generally available.

Senator WILLIAMS. Could you for the record at this point give us a list of the insurance companies that will readily insure any veteran or any boy being sent overseas to Vietnam today?

Mr. DRIVER. Yes, sir; we will supply that.

(The material referred to follows:)

VETERANS' ADMINISTRATION,  
OFFICE OF ADMINISTRATOR OF VETERANS' AFFAIRS,  
Washington, D.C., August 13, 1965.

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

DEAR MR. CHAIRMAN: At the hearing on S. 2127 which was chaired by Senator Talmadge on August 11, 1965, Senator Williams requested me to supply a list of companies that will insure personnel presently being sent to Vietnam. In agreeing to supply the list I had expected to be able to obtain it from sources in the insurance industry.

However, it appears as testified subsequently by Mr. Henry F. Rood, president of the Lincoln National Life Insurance Co., that no survey of this kind has been made in the industry. Inasmuch as over 1,500 companies are involved, a survey cannot be conducted in time to meet your needs.

Of the companies we have had occasion to contact, the following have indicated a willingness at this time to insure personnel being sent to Vietnam. The amount of insurance available varies, but is not less than \$10,000.

Metropolitan Life Insurance Co.  
Mutual Life Insurance Co. of New York.  
New York Life Insurance Co.

Sincerely,

W. J. DRIVER, *Administrator.*

Senator TALMADGE: I have a table here that was worked up by my staff in my office, I presume with cooperation from Veterans' Administration. It is an illustration of a veteran (E-5), 5 years service; widow, aged 28; two children, 4 and 6 years old; giving comparative benefits for those who are lost in action in World War I, World War II, the Korean conflict, and all service after January 1, 1957, and without objection I would like to insert that in the record at this point.

(The chart referred to follows:)

*Widows (veteran (E-5), 5 years' service; widow, age 28; 2 children, 4 and 6 years old)*

	World War I	World War II	Korean conflict after June 27, 1950	All service after Jan. 1, 1957
Death compensation.....	\$130.....	\$130.....	\$150.....	None.
Contract insurance (\$10,000).....	\$39 (life).....	\$39 (life).....	None (servicemen's indemnity payable). \$92.90 (10 years).....	\$149.
Servicemen's indemnity (\$10,000).....	None.....	None.....	None.....	\$173.
Dependency and indemnity compensation (may be elected instead of death compensation and servicemen's indemnity when advantageous).	do.....	do.....	do.....	do.....
Social security (based on average monthly pay of \$200).....	do.....	do.....	\$173.....	\$173.
Death gratuity.....	\$926.10 (lump sum).....	\$926.10 (lump sum).....	\$1,099.00 (lump sum).....	\$1,414.80 (lump sum):

*Children, no widow, based on age 15*

	World War I	World War II	Korean conflict	All service after Jan. 1, 1957
Death compensation.....	\$67.....	\$67.....	\$67.....	None.
Contract insurance (\$10,000).....	plus \$38.60 per month for life.....	plus \$35.40 per month for life.....	plus None.....	Do.
Servicemen's indemnity (\$10,000).....	or \$57.50 to \$291.90 per month from 36 to 240 months, depending on selected number of installments.	or \$55.10 to \$289.90 per month from 36 to 240 months, depending on selected number of installments.	or None.....	Do.
Dependency indemnity compensation (may be elected in lieu of death compensation and servicemen's indemnity when advantageous).	None.....	None.....	\$92.80.....	Do.
WOE (not paid concurrently with death compensation or dependency and indemnity compensation after age 18).	\$77.....	\$77.....	or \$77.....	or \$77.
Social security.....	\$110 plus.....	\$110 plus.....	\$110 plus.....	\$110 plus.
	None.....	\$44 to \$102 <sup>1</sup> .....	\$44 to \$102 <sup>1</sup> .....	\$44 to \$102. <sup>1</sup>

<sup>1</sup> Payable to orphans of honorably discharged veterans who died after Dec. 31, 1956, from disability incurred during service after Sept. 15, 1940.

*Dependent parents*

	World War I	World War II	Korean conflict after June 27, 1950	All service after Jan. 1, 1957
Death compensation: 2 parents (each)-----	\$40 per month each parent	\$40-----	\$40 per month each parent-----	None.
1 parent-----	\$75 if only 1 parent or plus	\$75----- plus	\$75 per month only 1 parent-----	Do.
Contract insurance (\$10,000, based on age 50 and no widow or children).	From \$50.75 to \$291.90, depending on selected number of install- ments from 36 to 240. or \$50.70 per month for life-----	\$55.10 to \$289.90 per month, de- pending on selected number of installments from 36 to 240. or \$53.90 per month for life-----	plus	
Servicemen's indemnity (\$10,000) Dependency and indemnity com- pensation.	None. May elect DIC when advanta- geous.	None. May elect DIC when advanta- geous.	92.90 per month for 10 years----- May elect DIC when advanta- geous.	Do. From \$11 to \$33 depending on in- come and marital status. plus
Social security-----	None-----	None-----	None-----	Social security at age 62.

Senator TALMADGE. Any other questions of Mr. Driver?

Senator Bennett, you have arrived.

Senator BENNETT. I came too late to hear his presentation so I will have no questions.

Senator TALMADGE. Thank you very much, Mr. Driver.

Mr. DRIVER. Thank you, sir.

Senator TALMADGE. The next witness is Mr. Paul R. Young, Jr., Department of Defense.

**STATEMENT OF PAUL R. YOUNG, JR., ACTING CHIEF, PERSONAL AFFAIRS DIVISION, AIR FORCE MILITARY PERSONNEL CENTER, HEADQUARTERS, U.S. AIR FORCE**

Mr. YOUNG. Mr. Chairman, and members of the committee, I am Paul R. Young, Acting Chief of the Personal Affairs Division for the Department of the Air Force. I am here to express the views of the Department of Defense on S. 2127.

Since S. 2127 affects laws administered solely by the Veterans' Administration and so long as the current situation remains with commercial insurance reasonably available, the Department of Defense defers to the views of that agency as to the overall merits of the bill. Nonetheless, it appears appropriate to comment on certain features of the bill as written.

Sample surveys recently conducted within the Air Force show that approximately 60 percent of enlisted personnel of all grades have less than \$10,000 of insurance coverage either with the Government or with commercial companies. This ratio could apply to other services as well. The humanitarian aspect of the legislation in providing compensation to the survivors of military members whose deaths are attributable to active service in a combat zone is commendable. We believe the existing benefit structure should be maintained. Subsection (d) in its present form would superimpose upon the existing structure a new payment available to some, but not all servicemen. In the first place it precludes those active duty military members who have policies under national service life insurance or U.S. Government life insurance from participating in the free indemnity to the extent of their coverage under Government life insurance. Thus, in effect, there would be some persons who would be paying for Government life insurance while others in the same situation would be receiving free insurance.

Secondly, the bill limits the special indemnity insurance to those members of the Armed Forces who die while serving in a combat zone, or who die within 2 years as a result of injuries suffered while serving in a combat zone. The Department of Defense believes that any benefit of this kind should be applicable to all members of the Armed Forces. The hazards of training for combat, and the risks involved in preparing weapons and complex equipment for use in training and for use in combat, are often as dangerous to life and limb as the actual combat situation. Pilots, crew members, and ground crews of combat units in training for combat, experience many hazards in the performance of the training duties. The airborne infantry soldier risks his life each time he jumps from an airplane, whether within a combat zone or on a training mission. To the surviving dependents of the

member of the Armed Forces, the loss of a father or a son is no less whether the loss be in a combat zone, on maneuvers, or while the member is traveling to or from his duty post, on an airplane, troop train, or troop ship. The Department of Defense would prefer that any geographical limitations not be included in a proposal of this nature.

I appreciate this opportunity to appear before the committee to express the views of the Department of Defense. I would be happy to answer any questions from the members of the committee.

Senator TALMADGE. Mr. Young, I believe in your statement you said that approximately 60 percent of enlisted personnel of all grades had less than \$10,000 of insurance coverage either with the Government or with commercial companies.

Mr. YOUNG. Yes, sir.

Senator TALMADGE. Isn't it true that many of these commercial companies are now canceling private insurance for the men who are going into Vietnam and other combat areas, and some of them have already issued policies that would be voidable under those conditions?

Mr. YOUNG. Mr. Chairman, we have probably heard the same things you have about this and received letters alleging that this is true. We recently conducted a sample survey of our enlisted members in the Air Force but unfortunately we didn't ask them whether the reason they had \$10,000 or less was the result of cancellation. So I couldn't say for sure that this would be the reason today.

Senator TALMADGE. You state as one of your objections to this bill that subsection (d) in its present form would superimpose upon the existing structure a new payment available to some, but not all servicemen. Isn't it true that someone who is fighting now in Vietnam draws more pay than one on duty at the Pentagon?

Mr. YOUNG. Yes, sir.

Senator TALMADGE. How much extra do you pay private, first class on duty at Vietnam as opposed to one who is on duty at the Pentagon?

Mr. YOUNG. \$55.

Senator TALMADGE. Doesn't that superimpose a payment to some not available to all?

Mr. YOUNG. Yes, sir, but we are addressing ourselves in this particular case to the benefits to the families of these particular people.

Senator TALMADGE. You wouldn't want to take away that \$55 extra that private first class receives monthly in Vietnam, would you?

Mr. YOUNG. No, sir.

Senator TALMADGE. To be consistent, you would have to argue that, wouldn't you?

Mr. YOUNG. Well, what we are relating this to, Mr. Chairman, is the NSLI, Government life insurance, that some people currently have and are paying premiums on, and section (d) would only provide additional insurance up to \$10,000 over and above that amount. I think what we are trying to point out is that limiting this to the group who do not have insurance would be giving some people insurance and charging other people for the same insurance privilege.

Senator TALMADGE. Now, in your statement you say:

Thus, in effect, there would be some persons who would be paying for Government life insurance while others in the same situation would be receiving free insurance.

Did not the Korean veterans contribute to the cost of the service-

Mr. YOUNG. As I recall, sir, there was a waiver of premium that was an elective proposition during the Korean war so that NSLI, or Government life insurance, would be put on a waiver and they could receive free insurance.

Senator TALMADGE. It was free during the Korean war. Also, does not the life payment feature of NSLI make it more valuable to the veteran and justify economically the small contribution?

Mr. YOUNG. In terms of the value of the policy it is, I believe that would be true, sir. In other words, that portion of the cost of a policy that exceeded the cost for straight term insurance, was not waived and was in fact paid for by the member during the Korean war.

Senator TALMADGE. Bear in mind the bill that is before this committee limits insurance coverage to combat duty. NSLI did not.

There is one other thing in your testimony that struck me as being rather odd, Mr. Young, and I quote:

The hazards of training for combat, and the risks involved in preparing weapons and complex equipment for use in training and for use in combat, are often as dangerous to life and limb as the actual combat situation.

Do you stand on that statement?

Mr. YOUNG. Mr. Chairman, I would like to cite an example of what is meant by that statement. Aircraft on the way to the combat area which collide perhaps in midair, the danger of that mission, even though it isn't in the combat area is just as real as if it were to have happened in the combat area. That is what I am trying—

Senator TALMADGE. Are you yourself a veteran, Mr. Young?

Mr. YOUNG. Yes, sir.

Senator TALMADGE. What service were you in?

Mr. YOUNG. In the Navy, sir.

Senator TALMADGE. In the Navy, so was I. Where were you trained?

Mr. YOUNG. New London.

Senator TALMADGE. New London, Conn. How many men lost their lives at New London while you were training there?

Mr. YOUNG. I am not sure, sir.

Senator TALMADGE. Do you know of any?

Mr. YOUNG. Not personally.

Senator TALMADGE. Where did you go from New London?

Mr. YOUNG. To the Pacific.

Senator TALMADGE. So did I. Did a good many men lose their lives there?

Mr. YOUNG. Yes, sir.

Senator TALMADGE. Did you consider it more hazardous in the South Pacific than you did in New London?

Mr. YOUNG. Statistics show definitely that it was.

Senator TALMADGE. I was in both places and I also considered it more hazardous in the South Pacific than in New London. So that was the reason I was amazed at your remarks.

Senator Douglas.

Senator DOUGLAS. No questions.

Senator TALMADGE. Senator Carlson.

Senator CARLSON. I believe not.

Senator TALMADGE. Senator Morton.

Senator MORTON. Mr. Young, I have an open mind on this legislation. I am somewhat impressed by your arguments and those of the



Director of the Veterans' Administration, that whatever we do should be made available to all.

I, too, served in the Navy, and the worst duty I ever had was for about 5 or 6 months commanding an old destroyer that we had forgotten to give the British when we made the deal with them. [Laughter.]

And I was engaged in towing targets for the Pacific Fleet. You couldn't keep the old thing afloat, and I had five regular Navy chiefs who had among them over, well over, a hundred years of service in the Navy, cumulatively.

During those 5 months we passed the hat so that we could get more cable to increase the distance between the target and ourselves.

We would rendezvous with a new squadron of destroyers coming up from the west coast at daylight, and they would get their first real firing practice and occasionally they in their radar scope would confuse us with the target.

The fire control ensign who had been out of some boot camp at New London, or somewhere, couldn't tell which way we were going. We were straddled six times during that 5 months.

I was in the South Pacific. I was at sea in command or executive officer for, I think, 37 months. I was at sea a total of over 40 months, and the nearest I ever came to getting killed was in a training exercise being shot at by our own people. So I can sympathize with the statement that you have made here in this, that there is a hazard there.

I have personally picked up three planes very near Pearl Harbor at times when there was no danger from the enemy at Pearl Harbor, long after December of 1941, and there were casualties involved in these instances.

These fellows were practicing dive bombing on my target and they forgot to pull out in time or didn't and they were caught in the flame of their own bomb. So I think there are many hazards in this active training for combat duty.

My old chiefs would say, "This is awful duty." They said, "If we get hit we don't even get a purple heart. It is not enemy action." So we did have a real problem of morale, and I think you are correct there.

Senator TALMADGE. The chairman wishes to correct one remark, I stated I was in New London, Conn. I was in Newport, R.I., which is near there.

Senator Bennett.

Senator BENNETT. No questions.

Senator TALMADGE. Thank you very much.

The next witness is Mr. Frank Stover of the Veterans of Foreign Wars.

Mr. STOVER. Thank you, Mr. Chairman.

Senator TALMADGE. You may proceed, Mr. Stover.

#### STATEMENT OF FRANCIS W. STOVER, DIRECTOR, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. STOVER. Mr. Chairman and members of the committee, thank you for this opportunity to present the views of the 1,300,000 members of the Veterans of Foreign Wars of the United States with respect to this most important legislation which will benefit active duty person-

nal who are doing the fighting and dying in combat zones all around the world.

My name is Francis W. Stover and my title is national legislative director.

The proposal contained in this resolution was brought to the attention of the delegates of the last national convention of the Veterans of Foreign Wars, which was held Cleveland, Ohio, August 21 through 28, 1964.

The resolution identified as No. 95, which was unanimously approved, is entitled "Insurance Program for Men in Service" and reads as follows:

Whereas it has been brought to our attention that members of the Armed Forces of the United States are serving in combat areas and being killed in the service of their country and said members of the Armed Forces are not eligible for a Government insurance program to protect their surviving dependents; and that a program of Government insurance similar to national service life insurance is desirable and would be of great aid to the survivors of deceased veterans: Now, therefore, be it

*Resolved by the 65th National Convention of the Veterans of Foreign Wars of the United States, That the members of the Armed Forces of the United States serving in combat areas should be eligible for a Government-sponsored life insurance program similar to the national service life insurance program.*

S. 2127 is right in line with our resolution, and, accordingly, the Veterans of Foreign Wars strongly supports this legislation.

Our organization has long held that men who serve in combat zones for which a campaign badge or medal is authorized should have such service elevated to wartime status for the purpose of veterans' benefits. S. 2127 refers to those being entitled to this special indemnity as being persons on active duty in a combat zone. Combat zone for the purpose of S. 2127 would be determined by the President to be an area in which units of the Armed Forces of the United States have engaged in combat operations on or since January 1, 1962.

The Veterans of Foreign Wars recommends that the delimiting date of January 1, 1962, be broadened to include any and all dates since the official ending of the Korean conflict, which was January 31, 1955. During this period there have been several expeditions which have been recognized by the issuing of a campaign badge or medal and would come under the broad definition of a combat zone.

The Veterans of Foreign Wars, therefore, recommends that any veteran who has served in an area since the end of the Korean conflict and has received a badge or medal in recognition of the services he has rendered should be included in the definition of combat zone for the purpose of this bill. We are not recommending, however, that the definition of combat zone be limited or restricted to those who have served in campaigns for which a badge or medal is authorized if, in the judgment of the President, the definition of combat zone should be broadened to areas for which a badge has not been authorized. The Veterans of Foreign Wars supports a definition of combat zone to include service where there is armed conflict and under warlike conditions.

One of the glaring defects of the Survivors Dependency and Indemnity Act was its omission of any benefits to survivors of veterans beyond the immediate dependents or next of kin. Thus, brothers and sisters and nondependent parents are not eligible and entitled to any survivors benefits under this act.

Our organization has had presented at its national conventions and it has been brought to our attention on many occasions that inequity of this omission. It is incredible that there are no dependency and indemnity compensation payments available to a father and mother who have given their son, unless they can meet a strict means test. These payments, it will be recalled, reflect or include an amount equivalent to \$10,000 worth of NSLI or indemnity insurance.

Where there is a survivor within the permitted class who is entitled to dependency and indemnity payments is one thing. An intolerable situation and a harsh result occurs for those who do not come within the limited class of beneficiaries under this act.

With the death toll mounting in Vietnam, there will be more and more cases where a young man has been killed and leaves no beneficiaries who are eligible in the present or foreseeable future for dependency and indemnity compensation payments.

All unmarried servicemen should be provided special indemnity insurance by being automatically covered against death in the amount of \$10,000 at no cost to the serviceman.

The Veterans of Foreign Wars has also had brought to its attention a growing number of complaints that commercial life insurance is either not obtainable or extremely difficult to obtain when the serviceman finds that he is scheduled to be shipped to a combat zone. The primary purpose of Government life insurance or indemnity insurance is to fill the void caused by the unavailability of commercial insurance. At least that was the theory of NSLI back in October 1940 when the act got underway at that time. The same was true for USGLI when Congress authorized Government life insurance for servicemen of World War I, back in 1916.

The situation has not changed from strictly peacetime service, and many of our servicemen are now engaged in wartime activity. The loss of lives in Vietnam is a reality. This legislation will provide the same security as provided the servicemen who halted Communist aggression in Korea a decade ago.

The basic underlying reason then for the Government to grant this insurance is because insurance is unavailable to those citizens who are risking their lives daily in areas similar or identical to wartime situations. If it is the policy of this Government to draft young men, then it follows there is an obligation on the part of this Government to pay or indemnify someone when that young man loses his life in carrying out the commitments of this Government.

The great bulk of draftees are unmarried at the time they are inducted or drafted into the Armed Forces. More and more draftees are showing up in regular Armed Forces units in Vietnam. There will be more and more single or unmarried veterans who will become casualties as the activity in that area becomes more widespread.

In summary, S. 2127 will be authorizing indemnity insurance in the amount of \$10,000 in the same manner and to the same extent as was provided those servicemen who served in the Armed Forces during the Korean conflict. Our Government can do no less with those servicemen who have performed and are performing similar service in combat zones since the Korean war and so long as it is determined by the President that zones of combat action or areas of hostilities do exist and warrant such insurance.

In conclusion, the Veterans of Foreign Wars endorses this legislation and urges this committee and the Senate to favorably consider and approve the bill at the earliest opportunity. We can do no less for those who are doing the fighting and dying in combat areas all over the world.

Thank you.

Senator TALMADGE. Senator Smathers.

Senator SMATHERS. No questions at the moment.

Senator TALMADGE. Senator Carlson.

Senator Morton.

Senator Douglas.

Senator Bennett.

Thank you very much.

Mr. STOVER. Thank you, sir.

Senator TALMADGE. The Disabled American Veterans favors enactment of this bill and they have submitted a written statement for the record in lieu of testifying today, and without objection their statement will be made a part of the record.

(The statement referred to follows:)

STATEMENT OF CHARLES J. HUBER, NATIONAL DIRECTOR OF LEGISLATION,  
DISABLED AMERICAN VETERANS

Mr. Chairman and members of the committee, the Disabled American Veterans welcomes the opportunity of expressing to your committee our views on S. 2127, which would provide special indemnity insurance for members of the Armed Forces serving in combat zones.

We are deeply sorry for our inability to appear personally before the committee in the most important matter. We have just returned from our annual national convention which was held this year in New Orleans, La. We do appreciate your courtesy in allowing us to submit our views for incorporation in the hearing record and final study by the committee members.

At the outset, we wish to emphasize that the membership of the Disabled American Veterans is comprised of veterans who served honorably during a period of war and who were wounded, gassed, injured, or otherwise disabled by reason of such service. Included in the term "during a period of war" are veterans whose wounds, injuries, or diseases were incurred as a result of armed conflict, or while engaged in extrahazardous duty, including service under conditions simulating war. The thoughts which we shall express below are in accord with this basic membership policy.

The concept utilized in S. 2127 is patterned after the Servicemen's Indemnity Act of 1951 which authorized free insurance coverage for members of the Armed Forces serving from June 25, 1950, through December 31, 1958.

The bill would provide \$10,000 gratuitous insurance for any person on active duty with the Armed Forces while serving in a combat zone. It would further provide that such person shall be deemed to have been serving in a combat zone at time of his death if he dies outside of a combat zone and (1) his death is determined by the Administrator to have been the direct result of an injury or disease incurred while serving in a combat zone, and (2) the injury or disease from which such person died was incurred not more than 2 years prior to death. The term "combat zone" means any area outside the United States determined by the President to be an area in which units of the Armed Forces have engaged in combat operations after January 1, 1962, and before such date as may be determined by Presidential proclamation. The indemnity would be payable in 120 equal monthly installments only to the surviving spouse, child or children, parents, or brothers and sisters of the insured.

The Disabled American Veterans is in complete agreement with the purposes and the results the bill seeks to achieve. On the basis of a resolution adopted at our recent national convention, we are enjoined to take an active interest in the extension of insurance to members of the Armed Forces who see or have seen service in areas of hostility. We feel that this is a matter of special urgency and should be given prompt and favorable consideration by your committee and the Congress before adjournment of the present session.

We would, however, respectfully bring to your attention certain features of the pending bill which we feel require additional study and adjustment.

One of the requirements for eligibility under the bill is that the serviceman must have died as the direct result of an injury or disease. This "direct result" requirement is not only vague and difficult to interpret, but also places a severe limitation upon those potentially eligible. In many instances a disease or injury is a definite contributory factor leading to death, and yet in itself is not the primary or direct cause of death.

It is our recommendation that any injury or disease which caused or "contributed" to a serviceman's death be considered sufficient for eligibility purposes if such injury or disease was incurred in line of duty in a combat zone.

The second item which we wish to bring to your attention is the limitation in connection with combat zones as determined specifically by the President of the United States. Members of the Armed Forces who have died in Lebanon, the Dominican Republic, and possibly many other places in the future may not be entitled to the indemnity insurance protection unless a specific declaration is made. The DAV recommends that this item be brought to include all areas where our servicemen were, or will, be involved in extra hazardous duty.

The third item to which we address attention is the provision stipulating that the disease or injury from which a serviceman dies must be incurred not more than 2 years prior to his death.

As an organization handling many hundreds of thousands of compensation claims, we find this provision hard to accept. There have been countless cases where veterans have suffered severe injuries or diseases and have lingered on for many years prior to date of death. We are sure that the records of the Veterans' Administration would bear this out in the continuing payments to widows and other dependents of death benefits based upon disability or disease incurred in service. We would, therefore, recommend that the limitation be extended beyond the 2-year period.

The provision in the bill relating to beneficiary designations is commendable to the DAV. The presently existing Survivors Dependency and Indemnity Act has an extremely rigid limitation with respect to parents. We are pleased indeed that no "need clause" has been incorporated in the bill. We welcome the bill since it serves to fill a great gap of insurance needs for our men in the Armed Forces who are finding it increasingly difficult to obtain insurance through private companies.

In conclusion, the DAV urges the committee to recognize the state of world affairs existing today. The definition of what is wartime and what is peacetime has taken on new and subtle meanings and can no longer be clearly defined. War and peace today is in a twilight zone, and we feel our Government should provide all necessary protective measures for our servicemen so as to safeguard them and their beneficiaries in this new type of warfare in which we are now engaged.

Despite the arguments advanced by representatives of the insurance industry, the young recruit at age 18 cannot, in any case, afford premium payments on \$10,000 commercial life insurance. Moreover, measured in terms of its impact on morale, legislation such as this is of profound importance; for surely the young soldier, sailor, or airman, in some strange, far-off place, will step up to his task more firmly when he recalls that a grateful Government back home will provide generously for his loved ones in the event of his death.

Senator TALMADGE. The next witness is Mr. Henry F. Rood, accompanied by Mr. Edward A. Lew, American Life Convention & Life Insurance Association of America.

**STATEMENT OF HENRY F. ROOD, PRESIDENT, LINCOLN NATIONAL LIFE INSURANCE CO., FORT WAYNE, IND.; ACCOMPANIED BY EDWARD A. LEW, ACTUARY AND STATISTICIAN, METROPOLITAN LIFE INSURANCE CO., NEW YORK, N.Y.**

Mr. Rood. My name is Henry F. Rood. I am president of the Lincoln National Life Insurance Co., Fort Wayne, Ind. I appear today on behalf of the American Life Convention and the Life Insurance

Association of America, two associations with an aggregate membership of 330 life insurance companies which have in force over 93 per cent of the legal reserve life insurance written in the United States. Appearing with me is Mr. Edward A. Lew, actuary and statistician of the Metropolitan Life Insurance Co., New York City.

We appreciate this opportunity to express our views on S. 2127. We understand the concern of Congress for the security of wives, children, parents, and other dependents of servicemen who die in the service of their country. It is appropriate for Congress at this time to review what may be necessary for this purpose. To assist you in that regard, we would like to discuss two points. First, we want to outline the facts with respects to the availability of private life insurance to members of the Armed Forces. Second, we suggest that the objective of improving the security of dependents of servicemen may best be accomplished by updating the existing Servicemen's and Veterans' Survivor Benefits Act, rather than through the addition of a flat \$10,000 gratuitous indemnity regardless of the needs of the servicemen's beneficiaries.

Turning first to the question of availability of private insurance, active military personnel not assigned to combat areas can today readily obtain insurance without a war exclusion clause from private life insurance companies. I don't know a company that won't issue insurance to this group of people. This coverage will continue after the individual moves to a combat zone.

I would like to comment on the statement, Senator, that Mr. Driver made in answer to your question. I don't know of any company that cancels insurance when a serviceman moves to the combat area unless there is a war exclusion clause in that policy. After the last World War all companies canceled their war exclusion riders. Since that time they have not been effective, and until very recently, I did not know of any company that has issued policies with war exclusion provisions. So, I have yet to learn of a case involving a cancellation. We have heard of some and have tried to track them down, but we have not been able to substantiate a case where a serviceman has had his insurance canceled when he was transferred to the combat zone.

Senator TALMADGE. I assume there are a great many policies that do have exclusion policies for a combat zone.

Mr. ROOD. No, sir, there are a very few.

Senator TALMADGE. Very few?

Mr. ROOD. Yes, sir.

Senator TALMADGE. Could you supply a list of all of the companies at this point that have exclusion clauses and those who do not?

Mr. ROOD. We have not checked the industry, sir, as to what the companies are doing. Last week there were eight of us met as a committee in New York to discuss this question. Of those eight companies two were willing to issue insurance to men in a combat area. One was issuing them only with a war exclusion rider, and the other five were not issuing to that group of persons alerted for or in a combat zone.

Senator TALMADGE. So that was two out of nine.

Mr. ROOD. That was two out of eight, sir.

Senator TALMADGE. Two out of eight. Proceed.

Senator SMATHERS. May I ask a question on that point? Will you explain what is meant by a war exclusion rider?

Mr. ROOD. Most of the war exclusion riders that were used during the Korean war would cover servicemen completely as long as they were in the home area. The home area was defined as all of the States of the United States. At that time we had to specify that Alaska and Hawaii were included in the home area because they were not States. Outside of the home area we did not cover deaths resulting from combat action, but if a man was outside of the combat area and died as a result of disease he would be covered.

Senator SMATHERS. So if a member of the Armed Forces were outside the United States then for all practical purposes he had no insurance.

Mr. ROOD. He had no insurance if it was a combat death. He was covered except for combat deaths.

Senator SMATHERS. Again, I am not quite clear on that point. Suppose he died from disease outside of the 50 States and outside of his home area such as typhoid fever, would he be covered?

Mr. ROOD. He would be covered.

Senator SMATHERS. Was he covered during the Korean war with that?

Mr. ROOD. Yes, sir.

Senator SMATHERS. You are sure about that?

Mr. ROOD. If he died of disease. He was not covered if he died as a result of enemy action.

Senator SMATHERS. Suppose a jeep turned over on him and he died as a result thereof.

Mr. ROOD. He would be covered, sir.

Senator SMATHERS. Even though he were riding down the road?

Mr. ROOD. Yes, sir.

Senator SMATHERS. How about in Korea?

Mr. ROOD. Yes, sir. He would be covered because it was not a result of enemy action.

Senator SMATHERS. That has been the interpretation right along.

Mr. ROOD. That was usually the case—some of the clauses differed. Some of the State departments required different types of clauses, but that was the general clause issued by most of the companies during the Korean situation.

Senator SMATHERS. Why doesn't the policy say, "We will cover you everywhere you are except if you are actually involved in combat?"

Mr. ROOD. Well, we went further than that, sir. In Alaska or Hawaii, any of the continental States, they would have been fully covered if they had been killed by a bomb dropped by an enemy in this country.

Senator SMATHERS. Well, you haven't had many claims on that?

Mr. ROOD. No, sir, fortunately.

Senator SMATHERS. Well, that is not particularly impressive. I am just trying to understand exactly what the provisions of exclusion were that you had with respect to Korea.

If they were in Korea, and they were riding in a jeep, they would be covered.

Mr. ROOD. If the jeep were overturned.

Senator SMATHERS. The only way they would not be covered was if they were actually hit by an enemy bullet or shrapnel, or something of that kind.

Mr. ROOD. That is right, if they were riding in a jeep and it was hit by an enemy shell they would not be covered, but if they were riding in a jeep and it overturned in an accident, they would have been.

Senator SMATHERS. How do you fellows determine what kind of an accident it is. How do your adjusters get out there and make your determinations?

Mr. ROOD. We ask for a report from the commanding officer.

Senator SMATHERS. All right, sir.

Senator TALMADGE. Proceed.

Mr. ROOD. Recently, however, because of the conditions in Vietnam, a number of life insurance companies have concluded that they will no longer write insurance on a serviceman already in a combat zone or alerted to move to one.

Senator DOUGLAS. May I ask a question?

Senator TALMADGE. Certainly; the Senator from Illinois is recognized.

Senator DOUGLAS. Are you referring to new policies?

Mr. ROOD. Only new policies, Senator.

Senator DOUGLAS. A person who does not have insurance or who may want to take out additional insurance will not be insured by you or by most companies if he is ordered to a combat zone?

Mr. ROOD. If he is ordered to a combat zone, I would say the majority of companies would not be willing to issue him life insurance at the present time. There are a few companies that will still issue life insurance in those situations, but anyone who is not under orders to move even though he is in military service can freely obtain life insurance.

Senator DOUGLAS. Some people wake up late, you know. They don't know that they are going and then get orders.

Senator SMATHERS. Will the Senator yield on that question? Suppose I happen to know of a young man who is at San Diego undergoing training just before he is to go overseas. He has been alerted, his outfit has been alerted that they are on their way. Are they covered, or not covered?

Mr. ROOD. Well, if he already has insurance in force he is fully covered. But if he is alerted, even though he hasn't received his direct orders, most companies would not issue. I know in Atlanta recently when the paper indicated that the 1st Cavalry Division was to be sent to Vietnam one company got 80 applications that day from members of the 1st Cavalry Division. They all honestly said: "We have not received orders," but they were not issued insurance.

Senator TALMADGE. Will the Senator yield at that point? I just returned from Atlanta last night, I flew down the day before yesterday. The air terminal was filled with members of the 1st Cavalry Division going on leave. I happened to be familiar with the insignia because we had transported elements of the 1st Cavalry Division in the South Pacific during World War II, and including some elements going into Tokyo Bay when MacArthur was dictating his surrender ceremonies. Your statement is those men now would have great difficulty in getting private insurance.

Mr. ROOD. They could get it from some companies but I think the majority of companies would not issue.

Senator TALMADGE. You testified, I believe, at your meeting in New York, six out of eight would not grant it.



Mr. ROOD. That is correct.

Senator TALMADGE. Thank you, sir.

Mr. ROOD. I might say issuing insurance to men who have been alerted to the combat zone would be a little bit like issuing fire insurance when the house next door has caught fire. The risk is considerably higher.

Also, we find the men apply for unusually large amounts of insurance. I know of an application for \$100,000 worth of insurance by a Marine Corps helicopter pilot ordered overseas, and we don't find many men in the Marine Corps buying \$100,000 policies. This is the antiselection factor that appears. We do not issue to a man who has his orders, but we try to issue to others because they constitute a broad class.

Senator SMATHERS. On that point, you would not issue him insurance even if he wanted the \$10,000?

Mr. ROOD. Our company would not, but some companies would.

Senator DOUGLAS. How many would?

Mr. ROOD. As I said, sir, we have not checked our whole industry. Of this group of eight companies there were two of the eight who said they would be willing. Mr. Lew's company is one of those companies, and he would tell you the amounts they would be willing to issue if you wish to ask him.

Senator TALMADGE. You represent a very fine company. You personally would consider \$100,000 policy on a helicopter pilot in Vietnam a very poor risk?

Mr. ROOD. We would, sir.

Senator TALMADGE. Thank you.

Senator SMATHERS. Would your company insure a helicopter pilot up to \$100,000 who had been ordered to Vietnam?

Mr. LEW. No, sir. Our present rules are that we would issue to enlisted men \$10,000 if they are single; \$15,000 if they are married. For officers, and those helicopter pilots would be officers, we would issue as much as \$25,000 or \$40,000. The man could be alerted for Vietnam, and we have received an application from Vietnam. We would still honor it provided we didn't start getting such applications in batches. This is the old story of trying to insure people in a hospital. So long as you get one individual out of a hospital in each area, you can do it. But once you start getting a whole hospital applying to you, you can't do it. So we are continuing, since we are the largest nationwide company with offices throughout all the States, we are honoring applications from local residents. But if we started getting applications from ports of embarkation or anything of this kind, we would have to change our view. But, at the moment—

Senator TALMADGE. Would you yield at that point? What is your company?

Mr. LEW. Metropolitan Life Insurance Co. of New York.

Senator TALMADGE. Do you have any objections if I notify the commanding officer of the 1st Cavalry Division that you would be glad to insure him?

Mr. LEW. Senator, if we get one or two, the first one or two are likely to be honored. If we get a hundred, I think our president is going to change his mind.

Senator SMATHERS. Suppose you got an application for a \$15,000 life insurance policy on a helicopter pilot from Vietnam, or from Okinawa, how would you handle that?

Mr. LEW. We would handle it—let me make one statement beforehand. The reason we are able to do this is that we tested this whole proposition out during the Korean war. We issued insurance policies freely during the Korean war without any war clauses for limited amounts. The question of limited amounts is one that depends on what would be a reasonable amount for the serviceman to ask for. If a serviceman today applies for a reasonable amount we would issue the insurance. In the case of helicopter pilots they would be subject to an extra premium, but it would be the same extra premium that we charge in peacetime.

Senator SMATHERS. If you might pardon a personal note, I have a son who is a frogman for underwater demolition. Do they have special premiums?

Mr. LEW. My impression would be, sir, that there would be some small extra premium, but we would still treat him just as we would any serviceman applying from your area.

Senator SMATHERS. Suppose he may be already on his way from an area, would this fact make a difference?

Mr. LEW. Well, our general proposition is this: We try to do a nationwide business. For example, from a section of Louisiana you would expect a certain number of servicemen to apply through our agents, and we would want to cover them. We want to cover a proportion of all the people throughout the country. What we cannot do, as Mr. Rood was pointing out, is take a whole batch of these cases, like an entire hospital, you see, applying for insurance. We can't do that. So if you, Senator, were to spread the word, and we started getting these applications by the tens and hundreds, I am sure we would change our viewpoint.

But, so long as these applications come in singly, or in twos and threes, we would be delighted to honor them.

Senator DOUGLAS. Mr. Lew, I don't want to put this sardonically but isn't it your attitude that you are willing to give new insurance to people in combat zones provided not many take advantage of the offer?

Mr. LEW. I am sorry, Senator, I didn't hear the rest of your question.

Senator DOUGLAS. I said, is your position this: that you are willing to write insurance for those in combat zones provided not many take advantage of your offer?

Mr. LEW. Provided a reasonable proportion apply; providing we do not get a disproportionate amount applying.

Senator DOUGLAS. Providing it is in reasonable proportions.

Mr. LEW. This is in relation to the population at large.

Mr. ROOD. Senator, I think if I can speak for Mr. Lew what he is saying is they are willing to take their share of the risks. If all the companies were taking their share it would be reasonable; but if the other companies are not taking them then the ones who would normally apply to other companies will go to Mr. Lew's company.

Senator DOUGLAS. You testified in your judgment the vast majority of companies don't take them.

Senator SMATHERS: Your company doesn't take them.

Mr. ROOD. My company doesn't take them directly, we will reinsure, and we will follow the original company of insurance.

Senator SMATHERS. You had a conference in New York of eight companies; two took it, Mr. Lew's company being one.

Senator BENNETT. Mr. Chairman, may I ask a question?

Senator TALMADGE. Senator Bennett.

Senator BENNETT. Reference has been made to the 1st Cavalry Division; and the Senator said that a lot of these people have been going on leave. I assume that the entire personnel of the division will not be sent overseas. Would you automatically cut off insurance of any member of the 1st Cavalry Division if an order had been issued to the division?

Mr. ROOD. Our rule applies only to people who have been alerted for overseas combat areas. If we could identify that some of them were not being sent overseas we would be perfectly willing to issue insurance to them.

Senator BENNETT. So you don't automatically handle a whole unit at a time. You judge on the basis of the individual situation?

Mr. ROOD. Yes, sir. In most cases they receive orders and do not have information in advance, but there was the situation where a newspaper published it before they got their orders.

Senator BENNETT. Those are my only questions.

Senator TALMADGE. You may proceed, sir.

Mr. ROOD. We assume that the reasons for this action on the part of the life insurance companies are fully understood. The hazards confronting some military personnel are very great but difficult to measure so that appropriate extra premiums cannot be determined. It may be unfair to other policyholders to assume such very great risks at an average premium. The seriousness of this problem will of course vary with the size of the company and the number of combat risks applying for insurance. It seems clear, however, that inclusion of a war clause or declination of applications of personnel already committed to a combat zone can be based on equitable considerations.

We turn now to a consideration of the provisions of S. 2127. In essence, this bill would add a \$10,000 gratuitous indemnity for servicemen in combat zones on top of the existing Servicemen's and Veterans' Survivor Benefits Act. It is our opinion that, if the Congress desires to improve the benefits available to survivors of servicemen, it could more effectively be accomplished within the framework of the present Survivor Benefits Act. We think this approach is supported both by the history of legislation in this area and by practical considerations.

In 1951, during the Korean conflict, a \$10,000 gratuitous indemnity program was adopted, to substitute for the earlier contributory Government insurance programs. There had also for some time been provision for modest amounts of dependency compensation for widows, children, and dependent parents. Then in 1956 Congress adopted the Servicemen's and Veterans' Survivor Benefits Act, after extensive consideration consisting of 2 years of study by a House select committee and an additional 6 months of study by the staff of your committee. This act instituted a system of increased dependency compensation for survivors of servicemen or veterans dying of service-con-

nected causes, provided full OASDI coverage for military personnel on a contributory basis, and granted a death gratuity of 6 months' pay with a minimum of \$800 and a maximum of \$3,000.

The basic approach of this statute was to merge the previously existing programs of dependency compensation and gratuitous indemnity, with the emphasis being placed on dependency compensation adapted to need. This approach is best summed up by the following paragraphs where, speaking of termination of the 1951 \$10,000 gratuitous indemnity, the House Select Committee on Survivor Benefits said (H. Rept. 933, June 28, 1955, p. 6):

After careful analysis of testimony on this subject and lengthy deliberations, the committee concluded that this benefit should be terminated and payments formerly made under this program integrated with the existing Veterans' Administration compensation program by increasing significantly current compensation payments so as to reflect an indemnity increment therein. Thus these two separate and distinct survivor benefit programs administered by the Veterans' Administration would become one. To this limited extent one of the objectives of the committee, greater simplicity, would be accomplished and the long-term interest and equity of survivors protected.

The committee feels that the upward adjustments of benefit payments which are set forth in this bill adequately and fully compensate future survivors and that there remains no necessity for any indemnity or Government insurance program to supplement the dependency and indemnity compensation rates set forth in title II.

Not only would reinstatement of the \$10,000 indemnity of S. 2127 seem to be inconsistent with the action taken by Congress in 1956, but it would appear, also, that there are more effective means available to accomplish the desired ends. It is our understanding that two main problems prevail in this area. One problem is that under the current eligibility tests of the Survivor Benefits Act some parents receive no benefits whatsoever, because they are classed as nondependent. A second problem is that the present classes of beneficiaries under that act may be too restricted, with the result that a number of servicemen die without any benefits flowing to individuals who may reasonably have looked to them for assistance—for example, minor brothers and sisters. On the other hand, the present act very properly provides substantial benefits for widows and children.

In our opinion, these problems could best be met by amending the present act. Such amendments might enlarge the classes of beneficiaries or might liberalize the standards for determining the eligibility of dependent parents. For example, the present act provides no benefits for a single parent with an annual income above \$1,750, or for two parents with a total annual income over \$2,400. These two figures might be raised. Also, the present act grants a death gratuity of 6 months' pay with a minimum of \$800 and a maximum of \$3,000. Again, these figures might be increased.

The significant point, we think, is that the current system of dependency compensation benefits is based primarily on need. If the Congress should conclude that under current conditions the standards for determining need should be changed, this should be done through amendment of the present act. The gratuitous indemnity approach, on the other hand, is not related to need. Under such a program, some beneficiaries will get more than they might reasonably need, while others will not get enough.

For all of these reasons, we believe that better security for the beneficiaries of our servicemen can be provided through amendments to the Survivor Benefits Act. We shall be happy to attempt to answer any questions or to render any assistance which you may desire.

Senator TALMADGE. Mr. Rood, you referred to the act of Congress of 1956. That was at a time of peace when none of our men were being killed at the hands of enemy guns; is that not true?

Mr. ROOD. That is true, sir.

Senator TALMADGE. Also during that period private insurance carriers would insure members of the armed services for any amount that they desired to purchase, would they not?

Mr. ROOD. Yes, sir.

Senator TALMADGE. And you have just testified that at your recent meeting in New York 75 percent of the private insurance carriers there assembled refused to insure men in Vietnam, did you not?

Mr. ROOD. That is right, sir.

Senator TALMADGE. Do you not think under those conditions the Government ought to step in and do something about it?

Mr. ROOD. I do not question at all, sir, that the amounts payable may be low, and that the beneficiary designations are restricted. We think that two parents who are earning \$2,500, who lose an only son, are entitled to additional compensation over that provided by the present act. But we think that these additional amounts can best be provided through the current act, by liberalizing the test for dependency. We feel that there are also other beneficiaries that might very well be added to that group.

As to the point of being killed in Vietnam, or being killed on the way to Vietnam, or being killed at home; I am afraid I have to agree with some of the previous witnesses. My son is in the Reserves, and one of his best friends was killed in training by live ammunition while they were crawling along the ground. I am sure the parent of that son felt just as badly, and felt he was entitled to just as much as the parents of the boy who was killed in Vietnam.

Also there are other very hazardous duties—

Senator SMATHERS. On that point, the boy would be covered by insurance, would he not?

Mr. ROOD. The boys in Vietnam are covered by insurance if they bought it before alerted to duty.

Senator SMATHERS. Well, the difference is that the boy you described could still get it, while the boy in Vietnam will probably not get it except under certain unusual cases described by Mr. Lew.

Mr. ROOD. That is true, sir.

One other point I wanted to make sir, is the boy who is on demolition duty, the boy on submarine duty, the boy who is on aviation duty is also in very hazardous duty which, I think, is recognized by additional pay. My feeling is that those people are just as much entitled to any extra benefits that are being paid as the boy who is actually in Vietnam.

Senator TALMADGE. Would you not agree that a man who died at the hands of enemy action in South Vietnam has a higher call on the gratitude of his Nation than one who dies in the continental limits of the United States during a drunken brawl while he is on leave?

Mr. ROOD. I would agree with that, sir. But I recall the boy who died of pneumonia, as you mentioned, in Camp Lejeune. Perhaps his

father might very well take the position that if the boy had not been in Camp Lejeune, and had been home with his own doctor, that he probably would not have contracted pneumonia, or would have been cured and is entitled to consideration.

Senator TALMADGE. Our Government has already recognized the high degree of obligation there because they pay him \$55 a month extra combat compensation for a private, first class, in Vietnam, that he would not receive if he were minding the door here at the Senate Finance Committee.

Mr. ROOD. I think they also, sir, pay extra compensation to aviator and to submarine crews and to demolition crews because they recognize there is an extra hazard there, too. I wonder if those people are not entitled to the same consideration.

Senator TALMADGE. Your position, therefore, is that despite the fact that 75 percent of the private insurance carriers represented at a recent meeting have now stated they are not going to insure combat action in Vietnam, the Government ought not to step in and fill the gap.

Mr. ROOD. I am saying, sir, that I think you should take adequate care of the survivors of any serviceman irrespective of where he is killed. If the present survivorship act does not take adequate care, in your judgment, then I think you should increase the amounts payable under that act so it will do so.

Senator TALMADGE. Senator Smathers.

Senator SMATHERS. No questions.

Senator TALMADGE. Senator Morton.

Senator DOUGLAS.

Senator DOUGLAS. Mr. Chairman, I would like to make two points if I may. The first is that the witness has very honestly stated that—

recently, however, because of conditions in Vietnam a number of life insurance companies have concluded that they will no longer write life insurance on a serviceman already in a combat zone or alerted to move to one.

Then there was a good deal of conversation which followed. I did hear you read the next two sentences, because when you picked up your testimony you went down to the next paragraph.

Mr. ROOD. I am sorry, sir, I intended to read them.

Senator DOUGLAS. Those next two sentences, I think, are very crucial.

Other companies have taken the position that they will write such insurance only with a war exclusion clause.

Then, the following sentence:

A few life insurance companies continue to write insurance policies without a war inclusion clause on servicemen in or on their way to a combat zone.

The clear statement, therefore, is that the vast majority of insurance companies refuse to write new insurance either completely or will write them only with a war exclusion clause.

Since I did not hear those two sentences, I think it is important that they should be noted.

Mr. ROOD. It was my intention that they be included.

Senator DOUGLAS. I understand. I am not accusing you of trying to conceal your statements. There was conversation and cross-questioning at that point, and it was very natural when you picked up your discussion that you would begin with the next paragraph.

The second point, Mr. Chairman, I would like to make is this: We on the Finance Committee deal with this question of veterans' benefits only tangentially and upon relatively few occasions during the year, and it is very hard for us, therefore, to retain in our minds all the provisions which now exist.

I would like to ask that the Veterans' Administration prepare an analysis of the coverage and the terms of the U.S. Government life insurance, and also the national service life insurance so that we may have very clearly before us what they are, who is eligible, what the payments are, what the benefits are, and that we also find out how this dovetails with Servicemen's Indemnity Act.

Senator TALMADGE. Without objection the Veterans' Administration will please prepare and submit for the record that information. I may say to the distinguished Senator that prior to the time he arrived I inserted into the record a table of benefits that were available to veterans of World War I, World War II, the Korean war, and also at the present time. My staff prepared the table which, I assume, was in collaboration with the Veterans' Administration.

Senator DOUGLAS. I was not here.

Senator TALMADGE. It is well that the Veterans' Administration should submit an additional statement.

Senator DOUGLAS. I would like to say that only if additional analysis are needed I would like to see them.

Senator TALMADGE. I think the point is very well taken.

(The information referred to follows:)

#### ANALYSIS INSURANCE AND INDEMNITY

##### WAR RISK AND U.S. GOVERNMENT LIFE (WORLD WAR I) INSURANCE

The War Risk Insurance Act Amendment of 1917 extended to all officers and enlisted men in service at that time (World War I) and those entering subsequently the privilege of applying for a maximum \$10,000 insurance issued by the Government. The policies provided protection against death and permanent total disability. The law provided that the Government should bear the expense of administration and assume the excess mortality and disability costs arising from the hazards of war. During the war beneficiaries were restricted to members of the family and the proceeds were paid in 240 monthly installments of \$5.75 for each \$1,000 insurance in force. After the war the beneficiary restrictions were removed and the insurance settled in a lump sum, monthly installments from 86 to 240, or as lifetime income with 120 installments guaranteed, or as a refund life income with the guarantee that payments would equal the face value of the policy. Under the life income options the amount payable monthly varies according to the age of the first beneficiary.

In 1919 the World War I war risk insurance could be converted to U.S. Government life insurance. A total of about 1,150,000 of these converted policies were issued, of which 259,688 remain in force for a total amount of approximately \$1.10 billion of insurance. Since this program was closed to new issues in 1951, the insurance is decreasing at an accelerating pace, now in the neighborhood of 5 percent per year.

##### NATIONAL SERVICE LIFE (WORLD WAR II) INSURANCE

The National Service Life Insurance Act of 1940 provided a new type of insurance for persons entering the active service after the date of approval of that act, October 8, 1940. It provided protection against death with a waiver of premiums for total disability commencing prior to age 60, now 65. The beneficiaries of insurance maturing prior to August 1, 1946, are restricted to members of the families of the insureds. Originally, if the beneficiary was under 80 years of age the insurance was payable in 240 monthly installments

at the rate of \$5.51 per month per \$1,000 insurance in force. If the beneficiary was 30 or more years of age the insurance was payable as a lifetime income in equal monthly installments for 120 months certain. Subsequently the law was amended and beneficiaries, including those under age 30, of national service life insurance maturing prior to August 1, 1946, were permitted to elect a lifetime income under option 3 or a refund life income under option 4. With respect to national service life insurance maturing after August 1, 1946, the beneficiary restrictions were removed and the settlement provisions liberalized to include a lump sum, monthly installments from 36 to 240, and life income under options 3 and 4.

The authority to issue national service life insurance to persons in the active service was terminated by Public Law 23, 82d Congress, approved April 25, 1951.

Over 22 million participating policies of national service life insurance were issued under the program, of which about 4,867,747 remain in force for a total of approximately \$32 billion of insurance.

#### VETERANS' SPECIAL LIFE INSURANCE

This insurance was available without medical examination to veterans separated from service on or after April 25, 1951, and before January 1, 1957. It had to be applied for within 120 days after separation. Approximately 800,000 policies were issued, of which 541,600 remain in force.

#### SERVICE DISABLED VETERANS INSURANCE

This insurance is available to veterans separated from service after April 25, 1951, who are suffering from a service-connected disability but who are otherwise insurable. The insurance must be applied for within 1 year after service connection of the disability is established by the Veterans' Administration. The program insures medically substandard lives at standard rates of premiums. Hence, the program is not self-supporting. Approximately 60,000 policies of this insurance are in force representing about \$523 million in insurance.

#### SERVICEMEN'S INDEMNITY, 1951

This benefit in a maximum amount of \$10,000, reduced by any national service life insurance or U.S. Government life insurance in force, was payable for death in the active service and under certain other conditions between June 27, 1950, and December 31, 1956. The benefit, if the maximum \$10,000 was available, was payable at the rate of \$92.00 monthly and over a period of 10 years to the members of the veteran's immediate family.

Senator TALMADGE. Any further questions? Thank you very much, Mr. Rood.

The next witness is Mr. Louis A. Manza, National Association of Life Underwriters.

#### STATEMENT OF LOUIS A. MANZA, CHAIRMAN, COMMITTEE ON AFFAIRS OF VETERANS AND SERVICEMEN, THE NATIONAL ASSOCIATION OF LIFE UNDERWRITERS; ACCOMPANIED BY CARLYLE M. DUNAWAY, GENERAL COUNSEL

Mr. MANZA. Mr. Chairman and members of the committee, my name is Louis A. Manza, and I am chairman of the Committee on Affairs of Veterans and Servicemen of the National Association of Life Underwriters. My organization is a trade association with an aggregate membership of 93,000 individuals, principally life insurance agents, general agents, and managers. I am appearing before your committee today for the purpose of voicing my association's opposition to S. 2127.

As we understand this bill, it would provide each serviceman on active duty with free and automatic indemnity in the principal amount



of \$10,000 against death occurring in a "combat" zone or as a direct result of an injury or disease incurred while serving in such a zone and not more than 2 years prior to death. This death benefit would be payable in 120 equal monthly installments, with interest at the rate of  $2\frac{1}{4}$  percent per year.

The serviceman could choose the beneficiary or beneficiaries of the indemnity within the following four classes: spouse, children, parents, and brothers and sisters. Thus, he would not be limited in his choice to beneficiaries who were actual dependents.

The indemnity, the entire cost of which would be borne by the Federal Government, would be in addition to all other noncontributory Government death benefits payable under the Servicemen's and Veterans' Survivor Benefits Act of 1956 (Public Law 881, 84th Cong.) such as, for example, dependency and indemnity compensation. It would also be in addition to survivor benefits payable under the social security program.

In short, S. 2127 would, in essence, resurrect a limited version of the \$10,000 gratuitous indemnity which was provided under Public Law 23, 82d Congress, and which was later eliminated by Public Law 881, 84th Congress. In the circumstances, we feel that a brief review of the history and purposes of Public Law 881 is highly important.

Public Law 881 was enacted in 1956 largely in the form in which it had originally been developed by the House Select Committee on Survivor Benefits after many months of exhaustive study and numerous public hearings in 1954-55. Among the prime objectives which the select committee sought to achieve and which were reflected in Public Law 881, as finally enacted, were (1) the removal of any distinction between in-service deaths occurring in peacetime and those occurring in wartime or under wartime conditions insofar as the payment of survivor benefits by the Veterans' Administration was concerned, (2) the elimination, by and large, of the payment of Government benefits to nondependents of deceased servicemen, and (3) the substantial liberalization of benefits payable by the VA to the surviving dependents of deceased servicemen at as small an additional cost to the taxpayers as possible.

One of the main reasons why the select committee recommended, and Congress ultimately voted, very substantial increases in the amount of the VA compensation (i.e., the dependency and indemnity compensation) payable to the surviving dependents of deceased servicemen was to compensate for the elimination of the then existing \$10,000 gratuitous indemnity. Moreover, elimination of the cost of the gratuitous indemnity was a major consideration in the determination of the extent to which the Government could feasibly finance the greatly increased cost of the liberalized VA compensation. Thus, to reinstate the \$10,000 gratuitous indemnity and to superimpose it upon the dependency and indemnity compensation (which in itself amounts in most cases to a far larger death benefit than private employers provide) would (1) materially vitiate the carefully developed plan of the select committee and the intent of Congress in enacting Public Law 881 only 9 years ago, and (2) tend to add substantially to the cost of the VA's overall survivor benefits program.

In addition, reinstatement of the gratuitous indemnity program at this time, even in the limited form proposed in S. 2127, would, in our

opinion represent a needless and unwarranted intrusion by the Federal Government into a market which can and should be served by the private life insurance business.

Senator TALMADGE. Will you yield at that point, please, Mr. Manza?

Mr. MANZA. Yes.

Senator TALMADGE. You heard the previous witness, Mr. Rood, testify, did you not?

Mr. MANZA. Yes, sir.

Senator TALMADGE. Did you hear his statement that in a recent meeting in New York of eight insurance companies two were willing to insure someone in Vietnam and six would not?

Mr. MANZA. I was aware of that; yes, sir.

Senator TALMADGE. Would you still state that Government insurance then would be a needless and unwarranted intrusion by the Federal Government into a market which can and should be served by private insurance business?

Mr. MANZA. Yes, if the benefit can be granted in a different manner which is, I think, what we recommend.

Senator SMATHERS. If the what?

Senator TALMADGE. If the benefit will be granted in a different manner. What do you mean by that?

Mr. MANZA. What do I mean by that? By increasing, if necessary, the benefits under the present Survivors Act.

Senator SMATHERS. You did not make any reference to the Government. You just said other than the fact that you did not want the Government to intrude into this market which can and should be served by the private life insurance companies. Then the chairman indicated that the testimony thus far is that the private life insurance companies do not serve this market.

Mr. MANZA. I think it may clear it up if I can read on here for a minute.

Senator TALMADGE. Let me ask you a further question while you are on that point. You represent the National Association of Life Underwriters.

Mr. MANZA. Yes, sir.

Senator TALMADGE. How many members do you have writing life insurance?

Mr. MANZA. Well, approximately 98,000. They are all life people.

Senator TALMADGE. 98,000 private life insurance companies?

Mr. MANZA. No, individual.

Senator TALMADGE. Individual agents?

Mr. MANZA. Yes, sir.

Senator TALMADGE. You do not represent private insurance carriers themselves?

Mr. MANZA. No, sir.

Senator TALMADGE. Do you know how many private life insurance companies there are in the United States at the present time?

Mr. MANZA. If I had to hazard a guess I would say about 1,500.

Senator TALMADGE. 1,500. Of those 1,500, how many today will insure members of the 1st Cavalry Division who had been alerted for Korean duty—I mean South Vietnam duty?

Mr. MANZA. I do not think, Senator, that I can speak for all the companies; and, as far as my own company is concerned, which is

the Metropolitan Life, I think Mr. Lew covered that very completely. That is about it.

Senator TALMADGE. Will you please furnish the committee with a list of other companies so I can answer letters from my constituents who are complaining about the lack of life insurance, just exactly who will be happy to insure their husbands and fathers and sons and brothers who are alerted for Vietnam duty, because I am receiving an increasing number of letters that inform me that they cannot get life insurance, and if there is any private carrier available in America today who will insure them, I want to be in a position to write them and tell them, "You contact such and such a company and they will insure you, and we hope the Government is going to insure you, too."

Mr. MANZA. Well, I think that question is very difficult to answer at this time in view of what Mr. Lew and Mr. Rood said, that 75 percent of the companies are not doing it. However, I wonder if some explanation would not be in order to the effect that—

Senator TALMADGE. Do you think because 75 percent of the companies are not and will not, and refuse to do it, that the Government ought to refuse also; is that your position?

Mr. MANZA. No. I think, perhaps, it should be explained to these people that the benefits are available for survivors through—

Senator TALMADGE. There are certain survivors' benefits, of course, but there is no insurance. You sold a lot of people insurance as a mighty good investment. I am on the board of directors of a life insurance company, and I think it is, and I advise everybody to buy life insurance. But when they cannot, what are we going to advise them to do? We have sold them that as being a good idea.

Mr. MANZA. I think, Senator, if they apply for life insurance in the situation they are concerned about, they are not particularly concerned about the investment value of life insurance. They are only concerned about the payment of the proceeds in the immediate future.

Senator TALMADGE. Well, it may be both. We might be concerned about members of our family if they were alerted to combat duty in South Vietnam. I know I would be.

Mr. MANZA. Well, yes; these benefits to the survivors could certainly be taken up under the present act, if it has to be improved, and I think it should be improved. I think the one area perhaps where there is not proper coverage is the young fellow who has no surviving family, except, perhaps, nondependent parents, and here probably something should be done. But the question of doing it by the proposed gratuitous payment of \$10,000 is what I think is under discussion now. I do not know that that is the answer.

Senator SMATHERS. I sort of wonder and still wonder why you say, even taking the last point that you mentioned, that you object to the Federal Government's moving into a market which can and should be served by the private life insurance companies. There is no indication that the private life insurance companies will cover that man. While you admit that the private life insurance companies will not do anything about it, you object to the Government doing anything about it either.

Mr. MANZA. Well, all I can say, Senator, is some companies are still doing it, and I think Metropolitan Life is one of them. I think

that, perhaps, the people who are going into a combat zone, as they are today, might have to shop a little for life insurance without war clauses, but I think it is still available.

Senator SMATHERS. It would be very interesting, when you provide that information as to what companies. We know about the Metropolitan. Of course, they said as long as they get a reasonable number and, they reserve the right to determine what a reasonable number is, in answer to the question from the Senator from Illinois.

Senator TALMADGE. You say this man may have to shop a little, and I suspect those fellows in the 1st Cavalry Division are wondering whether they are ever going to see their wives again or not, and wondering whether they are going to get killed or not, and you think we ought to impose this additional burden of a little shopping on them?

Mr. MANZA. No. It does not seem equitable, sir. I would not say it does.

Senator TALMADGE. One other question I would like to ask you. You said that one reason the gratuitous \$10,000 indemnity is done away with was to liberalize benefits for surviving dependents. Did you know that the surviving dependents of the veterans of World War I and World War II received more in death benefits compensations, without the indemnity policies which they had in addition, than dependents today receive under DIO benefits?

Mr. MANZA. No. I would say that if you actually took the value, and there is a way of commuting the value of the payments received by veterans today under this act, it would exceed the value of the benefits they got in the first two situations.

Senator TALMADGE. You are adding in social security to that also, I assume?

Mr. MANZA. The total benefits. They did not have that in the other two situations.

Senator TALMADGE. I know, but the social security benefits are something he and his employer paid for.

Mr. MANZA. If he buys life insurance he pays for that, too.

Senator TALMADGE. But we are talking about two different things. We are trying to add another feature here in addition to life insurance, and claim that it is something that it is not. Really the veterans receive more benefits under their insurance in World War I and World War II and in the Korean war than they do under the existing peacetime law that was passed in 1956 when our men were not facing enemy guns.

Mr. MANZA. On the basis of my knowledge I would question that statement. I would think that the benefits payable today under this act, if they could be commuted into one sum, and it can be done actuarially, their value would exceed the value of the benefits paid out in World War II.

Senator TALMADGE. It is not in accordance with the information that was handed to me by my staff which I inserted in the record earlier in this hearing.

Mr. MANZA. Well, as an example, I think the maximum VA compensation benefit available to a veteran's dependents would now be somewhere in the area, if I am not mistaken, of \$340 in monthly benefits. If that were commuted into one sum over the period of years

during which it is expected to be paid that would certainly exceed by far the value of the benefits paid to survivors of veterans of World Wars I and II and Korea.

Senator TALMADGE: But this insurance would be supplementary to that and not in lieu thereof.

Mr. MANZA. He did not have these other benefits when the \$10,000 benefit under the NSLI was being paid in World War II.

Senator TALMADGE. You may proceed in your statement.

Mr. MANZA. In this connection, it may be true that servicemen are finding it increasingly difficult to buy private life insurance without so-called war clauses once they have been sent or ordered to a combat zone, such as South Vietnam. Generally speaking, however, at least until the very time they receive orders to a combat zone they still have ample opportunity to buy policies of insurance containing no such clauses.

Accordingly, we respectfully urge that your committee not approve S. 2127 or any similar measure.

I very much appreciate having had this opportunity to make my association's views known to your committee. If you wish any further information regarding these views, we hope that you will feel free to contact our office.

Senator TALMADGE. Have you concluded your statement?

Mr. MANZA. Yes, sir.

Senator TALMADGE. My staff just handed me a memorandum here. A widow with two children, World War I, death compensation \$150 a month plus \$39 a month for insurance; World War II, \$150 a month death benefits, plus \$39 a month life insurance benefits; Korea, \$150 a month plus \$92.10 a month for 10 years.

Now, that is what they received in World War I, World War II, and Korea. If one dies in Vietnam as a result of enemy action under those same conditions, all they would receive is \$149 a month. Do you dispute that?

Mr. MANZA. I do not have the reference to make here, Senator. I will be very happy to look it up though.

Senator DOUGLAS. Mr. Chairman, I would suggest that the reply of the witness be printed in the record.

(See below.)

Mr. DUNAWAY. I am Carlyle M. Dunaway, general counsel for the National Association of Underwriters.

In connection with what Mr. Manza said; I think it is probably true that perhaps in the early years after a serviceman dies nowadays the benefits payable to the wife and, to use the illustration of two children, might be somewhat less than what he would have gotten, say, in World War II. However, I think that, and I hope we can demonstrate this, in the long haul, the total benefits that his widow would receive under present law would be greater.

Senator SMATHERS. Do you base that on the fact that longevity rates have increased even though her monthly payments are less?

Mr. DUNAWAY. Well, with respect to, let us say, a widow and two children of a World War II veteran, the VA compensation there, I believe the Senator said, would have been \$150 a month. That would decrease as the children obtained their majority or at least age 18, I think it was; whereas under the present law, unless I am mistaken,

the \$149 figure that you gave, Senator Talmadge, would remain constant even though the children no longer were dependent.

Senator TALMADGE. It ends at 18 for the children.

Mr. DUNAWAY. I think I am correct that the \$149 does not take into account the fact that there are children. Does not the widow get this amount whether or not there are children?

Senator TALMADGE. Yes. This is a widow with two children and she would receive \$149 a month.

Senator SMATHERS. Is it your contention that she will continue to get this fixed amount irrespective of the fact that the children have obtained their majority and theoretically are no longer dependent on her?

Mr. DUNAWAY. That is my understanding of the original act as enacted in 1956. Perhaps there have been some amendments of which I am not aware but, as Mr. Manza said, we will be glad to supply some figures for the record.

Senator SMATHERS. There is evidently a little area of misunderstanding here and, as Senator Douglas has said, we are not expert in some of these problems as we are in some others, but if you could supply that information I would think it would be helpful for the record.

Senator TALMADGE. We will be glad to receive any additional information.

Mr. MANZA. Thank you, sir.

(The information referred to follows:)

THE NATIONAL ASSOCIATION OF LIFE UNDERWRITERS,  
Washington, D.O., August 16, 1965.

Re S. 2127.

Hon. HERMAN E. TALMADGE,  
Senate Office Building,  
Washington, D.O.

DEAR SENATOR TALMADGE: While you were questioning our witness, Louis A. Manza, on August 11 during his testimony before the Senate Finance Committee on the above-captioned bill, you made a statement to the effect that the widows and children of servicemen who died in World Wars I and II and the Korean conflict received more in Government death benefits (exclusive of benefits paid under the GI insurance of World Wars I and II and the \$10,000 gratuitous indemnity of the Korean conflict) than widows and children receive today in dependency and indemnity compensation (DIO) benefits under Public Law 881, 84th Congress—the Servicemen's and Veterans' Survivor Benefits Act of 1956.

You then indicated that according to a memorandum prepared by your staff, (1) the widow of either a World War I or a World War II serviceman, with two children, received \$150 per month in compensation from the Veterans' Administration, plus lifetime monthly insurance benefits in the amount of \$39; (2) the widow of a Korean conflict serviceman, with two children, received \$150 monthly in VA compensation, plus "\$92.10" (actually \$92.90) per month for 10 years in indemnity payments; and (3) the widow and two children of a deceased serviceman today would receive \$149 per month under Public Law 881.

Mr. Manza and I raised some question with respect both to the accuracy of certain of the above figures and to the context in which they were used, whereupon you asked that we supply further information relative to the figures for the record of the hearings held on S. 2127. In this letter we will attempt to comply with your request.

First of all, we wish to point out that in no event would VA compensation payments to the widow and two children of a serviceman killed in World War I ever have come close to being \$150 per month. Under the War Risk Insurance Act passed in 1917, such a widow originally received VA compensation of \$25 monthly, plus \$10 for the first child and \$12.50 for the second child. Therefore, the total VA compensation payments to a widow with two children were only \$47.50 per month initially.

While the VA compensation payments were gradually increased over the years, it was not until 1952 that a serviceman's widow and two children could receive \$150 per month in such benefits—i.e., \$75 for the widow, plus \$48 for the first child and \$29 for the second child. It is obvious, however, that by 1952, no World War I widow could possibly have had children eligible for benefits. Thus, she would have then received only her widow's benefit of \$75—later increased in 1954 to \$87.

As for the \$39 monthly lifetime insurance benefits payable to a World War I or World War II widow, this figure apparently is based on the assumptions (1) that the deceased serviceman owned the full \$10,000 of GI insurance and (2) that his widow elected, at about age 28, a settlement option providing monthly payments for 10 years certain and life thereafter.

Under these assumptions, the \$39 figure is accurate, at least with respect to policies of national service life insurance sold in World War II. However, we do not feel that this figure properly should be used in the type of benefit comparisons under discussion.

In the first place, the GI insurance of World Wars I and II was not a true gratuitous, or noncontributory, Government benefit. Although it is a fact that the Government subsidized these insurance programs to the extent of paying, from general revenues, the lion's share of all death claims attributable to the extra hazards of military service, this subsidy (or gratuity) was not effective except with respect to those servicemen who bought and paid relatively substantial premiums for the insurance.

In the second place, your use of the \$39 figure seemingly assumes that every World War I and World War II serviceman actually had \$10,000 of GI insurance. This is absolutely not so. For example, an estimated 10 percent of the servicemen killed in World War II owned no GI insurance whatsoever. And, according to VA estimates some years ago, 44 percent of World War II servicemen who had such insurance owned less than the \$10,000 of maximum coverage.

Thus, with reference to the figures that you quoted at the August 11 hearing, it would seem to us that the only meaningful comparison that can be made is between the noncontributory VA death benefits paid to the widows and children of Korean servicemen and the DIC benefits paid under Public Law 881 at the present time. In this connection, we should like to note that your staff has advised us that in selecting the \$149 figure that you used as the amount of monthly DIC benefits payable under Public Law 881, the deceased serviceman was assumed to be an E-5 with 5 years of service. However, since DIC benefits—unlike the VA compensation paid prior to the enactment of Public Law 881—are geared to the serviceman's pay (i.e., \$120 plus 12 percent of base and longevity pay, ranging from a minimum of \$180 to a maximum of \$340), we are taking the liberty of using additional pay grades and ranks in our comparisons, with all assumptions based on 5 years of service. We are also assuming that the ages of the two surviving children are 4 and 6.

In further explanation of the figures used in the following examples, we call attention to the fact that the Korean conflict death benefits taken into account are as follows: (1) gratuitous indemnity of \$92.00 (\$93) monthly for 10 years; (2) \$150 monthly VA compensation until the older child reaches age 18; (3) \$121 monthly VA compensation until the younger child reaches age 18; and (4) \$87 monthly VA compensation to the widow for life thereafter. The DIC benefit paid under Public Law 881, on the other hand, is a level lifetime amount paid whether or not the widow has children under 18.

## EXAMPLE I.—E-5: Sergeant or petty officer, 2d class

	1st 10 years	Until older child 18	Until younger child 18	Lifetime thereafter
Old law.....	\$243	\$150	\$121	\$87
Public Law 881.....	149	149	149	149

## EXAMPLE II.—E-7: Master sergeant or chief petty officer

	1st 10 years	Until older child 18	Until younger child 18	Lifetime thereafter
Old law.....	\$243	\$150	\$121	\$87
Public Law 881.....	157	167	157	157

## EXAMPLE III.—O-2: 1st lieutenant or lieutenant (junior grade)

	1st 10 years	Until older child 18	Until younger child 18	Lifetime thereafter
Old law.....	\$243	\$150	\$121	\$87
Public Law 881.....	178	178	178	178

## EXAMPLE IV.—O-5: Lieutenant colonel or commander

	1st 10 years	Until older child 18	Until younger child 18	Lifetime thereafter
Old law.....	\$243	\$150	\$121	\$87
Public Law 881.....	198	198	198	198

We believe that it would also be significant and enlightening to make a comparison between the commuted values of the above benefits (without adjustment for the possibility of the widow's remarriage). For example, assuming the widow's age in each case to be 28, the commuted value of the Korean conflict benefits (including the \$10,000 gratuitous indemnity) would be in the neighborhood of \$45,500, whereas the value of the \$140 monthly DIC benefits (in the case of the E-5) would be about \$46,500. In the case of the DIC benefits of the E-7, the O-2, and the O-5, the commuted values would be approximately \$49,000, \$55,500, and \$61,700, respectively.

Inasmuch as your request to Mr. Manza and me did not include the matter of social security benefits and because we are advised that the record of hearings on S. 2127 will be closed this morning, August 16, we have not attempted to make a detailed comparison between the social security survivor benefits payable in the case of Korean conflict servicemen and those payable under existing law. However, even though the present full social security coverage for servicemen—unlike the limited coverage provided during the Korean conflict—is no longer gratuitous, such coverage is still compulsory; and the substantially increased survivor benefits now provided under the program are definitely a major factor in the proper evaluation of the extent to which the needs of servicemen's survivors are currently being met by Government programs. Suffice it to say at this time that on the basis of the \$160 free monthly wage credits provided for Korean conflict servicemen—regardless of their grade or rank—maximum monthly survivor benefits for their families were originally \$128—slightly increased since. On the other hand, to take only the case of the E-5 used in one of the above examples, present social security monthly survivor benefits for the widow and two children are



about \$175. In other cases involving higher grades and ranks, such benefits run as high as \$286.80. For servicemen dying in the future, these benefits will be as great as \$368 per month.

While it may not be necessarily pertinent to your inquiry, perhaps I had better add in conclusion that any widow entitled to VA compensation benefits under the law in effect prior to January 1, 1957, may elect to receive DIC benefits under Public Law 881. In the event that she makes such an election at a time when she is still the beneficiary of the old \$10,000 gratuitous indemnity, she forgoes all further monthly payments (\$92.90) under the indemnity. Alternatively, she may wait until she has received all 120 indemnity payments and then change over to the DIC program.

Trusting that this information complies with your request to Mr. Manza and me, I remain,

Sincerely yours,

CARLYLE M. DUNAWAY,  
*General Counsel.*

Senator TALMADGE. Senator Bennett.

Senator BENNETT. No questions.

Senator TALMADGE. Senator Douglas.

Senator DOUGLAS. No questions.

Senator TALMADGE. Thank you very much. The committee stands in adjournment at this time.

(Whereupon, at 11:45 a.m. the committee adjourned.)

