

NATIONAL SERVICE LIFE INSURANCE-PHILIPPINE PESO PAYMENTS

SEPTEMBER 27, 1966.—Ordered to be printed

Mr. LONG of Louisiana, from the Committee on Finance, submitted
the following

REPORT

[To accompany H.R. 16557]

The Committee on Finance, to which was referred the bill (H.R. 16557) to provide for the refund of certain amounts erroneously deducted for national service life insurance premiums from the pay of former members of the organized military forces of the Government of the Commonwealth of the Philippines, and to amend title 38 of the United States Code to provide that certain payments under that title shall be made at a rate in Philippine pesos as is equivalent to \$0.50 for each dollar authorized, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

EXPLANATION OF THE BILL

This bill has two basic purposes relating to veterans' benefits provided for certain Filipino veterans.

The first section of the bill proposes to authorize the Administrator of Veterans' Affairs to refund to former members of the organized military forces of the Government of the Commonwealth of the Philippines, while such forces were in the service of the Armed Forces of the United States pursuant to the military order of the President dated July 26, 1941, amounts which are alleged to have been erroneously deducted from the arrears in pay paid them by the U.S. Government for premiums on national service life insurance (NSLI).

When the Commonwealth Army was called into the service of the U.S. Armed Forces, the Veterans' Administration held that the members were eligible to apply for NSLI. Some did so. Others were not able to complete and submit applications before World War II started and thereafter the Veterans' Administration utilized emergency radio-gram procedures in an attempt to supply insurance coverage.

Later the Congress granted certain gratuitous insurance protection to those military personnel who were captured, besieged, or otherwise isolated by the enemy early in the war.

It is easy to understand that confusion existed as to who had contract insurance before capture, or after liberation, and who were covered by gratuitous insurance. Similarly, it can be appreciated that when the U.S. Armed Forces, in computing backpay after liberation, deducted premiums for contract insurance coverage erroneous deductions were probably made in a number of cases.

Attempts were made to refund payments in various types of claims, including these erroneous NSLI premium deductions. Despite these efforts, however, the committee recognizes that the probability exists that some errors that were made remain uncorrected. The Veterans' Administration has advised that it would have no objection to the favorable consideration of this portion of the bill.

The bill would require an application for the refund and satisfactory proof that the erroneous deductions were made and have not been refunded. Refund will be made only to the former serviceman concerned or to certain limited survivors.

The Committee on Finance agrees with the House Veterans' Affairs Committee that the bill should require the application to be filed, initially, with the Philippine Government which would then certify to the Veterans' Administration those cases where the necessary eligibility criteria have been met.

It is difficult to estimate the cost of this section. It is possible that some 2,000 veterans who had premium deductions without having contact NSLI and another 1,200 veterans who, having insurance coverage, had double deductions made may file a claim for refund. On this basis, the Veterans' Administration estimated that the total claims cost would not exceed \$500,000 and the administrative cost for processing the claims would add another \$35,000.

Section 2 of the bill involves the peso-dollar payment rate of gratuitous veterans benefits for these Filipinos. After liberation of the Philippines in 1945, congressional committee and the administration each began studies of responsibilities and problems facing the United States and Philippine Governments in the area of veterans' benefits.

As a result of such studies, provisions were placed in the law which limited the veterans benefits that would be available to persons who served in the military forces of the Philippine Commonwealth while such forces were in the service of the U.S. Armed Forces, to compensation for service-connected disabilities and deaths and certain NSLI policies. Some time later the law was amended to also provide hospitalization for service-connected disabilities, an allowance to cover funeral and burial expenses, and a flag to drape the veteran's casket.

Because of the different financial and economic conditions existing in the United States and in the Philippines it was considered justified in 1946 to authorize payment of monetary benefits in Philippine pesos rather than in U.S. dollars. For the same known and obvious differences in the economy and standards of living, it was deemed proper to apply a ratio of 1 Philippine peso for each U.S. dollar. At that time the rate of exchange was 2 Philippine pesos for 1 U.S. dollar, or in other words, the value of the peso was approximately 50 cents.

Consequently, provisions were placed in the law which provided for the payment of gratuitous monetary benefits on a peso-for-dollar basis to veterans of the Philippine Commonwealth Army (including

guerrillas) and the so-called "new" Philippine Scouts, and to the dependents of such deceased veterans. These provisions have continued in effect to the present time.

Section 2 of the bill has been amended to make it consistent with the provisions of H.R. 16367, which passed the Senate on September 16, 1966. That bill provides that the payment of educational allowances thereunder would be in pesos at the rate of 50 cents for each dollar authorized and that provision has been incorporated into H.R. 16557.

The Committee on Finance is fully cognizant of the frequent and minor, often daily, variations in the exchange rate in the Philippines. Accordingly, it is intended that the computation of the proper peso payments by the Administrator at any given time for the purpose of either law shall be made in such manner as he deems reasonable and administratively feasible.

The cost of the increase in benefits due to the peso rate change, as estimated by the Veterans' Administration, is shown in the table which follows:

Fiscal year:	<i>Annual additional estimated cost</i>
1967-----	\$12, 524, 000
1968-----	12, 045, 000
1969-----	11, 639, 000
1970-----	11, 218, 000
1971-----	10, 887, 000

Cumulatively such additional costs will approximate \$276,735,000 by the end of fiscal year 2000. Through the end of the programs concerned (year 2060), there would be additional cumulative costs of \$62,061,000 or an overall additional cost of \$338,796,000.

The reports of the Bureau of the Budget, the Veterans' Administration, and the Treasury Department follow:

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., August 16, 1966.

HON. OLIN E. TEAGUE,
*Chairman, Committee on Veterans' Affairs,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in response to your request for the views of the Bureau of the Budget on H.R. 16557, a bill to provide for the refund of certain unearned premiums on policies of national service life insurance to former members of the organized military forces of the Government of the Commonwealth of the Philippines, and to amend title 38 of the United States Code to provide that certain payments under that title shall be made at the rate of two Philippine pesos for each dollar authorized.

Section 1 of the bill would authorize the Administrator of Veterans' Affairs to refund amounts erroneously deducted for national service life insurance premiums from the arrears in pay paid by the U.S. Government to former members of the organized military forces of the Commonwealth of the Philippines, while such forces were in the service of the Armed Forces of the United States pursuant to the military order of the President dated July 26, 1941.

The Administrator of Veterans' Affairs, in a report being submitted to your committee, recommends some changes in this section. If

amended as suggested by the Veterans' Administration, the Bureau of the Budget would have no objection to section 1.

Section 2 would authorize the payment of service-connected benefits to certain Philippine veterans and their survivors at the rate of 2 Philippine pesos for each dollar authorized. Under existing law, specified Commonwealth Army of the Philippines veterans, including recognized guerrilla forces, and the so-called new Philippine Scouts are paid these benefits at the rate of 1 Philippine peso for each dollar authorized. Thus, the amount of present payments to these veterans and their survivors would be doubled under this section.

Section 2 also provides that where annual income is a factor in entitlement to benefits, the dollar limitation of the law would be applied at a rate of 2 Philippine pesos for each dollar authorized. Parents of deceased veterans receiving dependency and indemnity compensation—the only persons affected by this provision—would thus be eligible for higher monthly payments.

In 1946 when the present 1-peso-to-1-dollar ratio was enacted by Congress, 1 American dollar was worth 2 Philippine pesos at the official exchange rate. Currently, 1 American dollar is worth almost 4 pesos. Thus, the benefits received by the Philippine veterans have been cut in half from the standpoint of the relative value of the two monetary units. Section 2 of H.R. 16557 would restore the Philippine beneficiaries to approximately their situation in 1946.

We note that your committee has reported out H.R. 16367 which would extend war orphans benefits to survivors of specified veterans of the Commonwealth Army of the Philippines. This bill provides that the children of these Filipino veterans "be paid at a rate in Philippine pesos which is equivalent to \$0.50 for each dollar." The effect would be to fix the U.S. Government's obligations to the Philippine beneficiaries at one-half of the value of the American dollar at the time the benefits are authorized to be paid.

Under the formula used in H.R. 16367, the worth of the benefit to the Philippine veterans would not depend on the fluctuations of the official exchange rate. If there is a further peso devaluation in the future, there would be no need for an upward adjustment in the peso-dollar ratio similar to that proposed by H.R. 16557. Conversely, if the peso increases in value relative to the American dollar, the beneficiaries would not receive the windfall resulting from a fixed peso-dollar ratio.

In the light of the above, the committee may wish to consider making the peso-dollar provision in H.R. 16557 consistent with that in H.R. 16367.

Subject to the above, the Bureau of the Budget recommends enactment of H.R. 16557 as consistent with the administration's objectives.

Sincerely yours,

WILFRED H. ROMMEL,
Assistant Director for Legislative Reference.

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., August 17, 1966.

HON. OLIN E. TEAGUE,
*Chairman, Committee on Veterans' Affairs,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: The following comments are submitted as requested on H.R. 16557, 89th Congress.

The first section of the bill would authorize the Administrator of Veterans' Affairs to refund to former members of the organized military forces of the Government of the Commonwealth of the Philippines, while such forces were in the service of the Armed Forces of the United States pursuant to the Military Order of the President dated July 26, 1941, amounts which were erroneously deducted from the arrears in pay paid them by the U.S. Government for premiums on national service life insurance (NSLI). It would require a claim therefore by the former serviceman or certain survivors within 1 year of the date of enactment together with proof satisfactory to the Administrator that such erroneous premium deductions were made and have not been refunded.

When the Philippine Commonwealth Army (some 120,000 members) was called into the service of the U.S. Armed Forces, in July 1941, the Veterans' Administration held that they were eligible to apply for insurance under the National Service Life Insurance Act of 1940. In many cases time did not permit completion and submission of application forms. Emergency procedures therefore provided that an applicant would be identified in a radiogram to the Veterans' Administration and would be considered covered. It is estimated that some 22,000 members of the Philippine Forces were protected by NSLI. The original radiograms are on microfilm and individual files were established for those who were granted insurance through this means or by submission of an application.

Public Law 667, 77th Congress, granted gratuitous insurance up to \$5,000 to active service personnel who between December 7, 1941, and April 20, 1942, were captured, besieged, or otherwise isolated by the enemy. Following repatriation they had 6 months to apply for contract insurance. The right of Commonwealth army members to purchase Government insurance terminated under Public Law 301, 79th Congress, as of February 18, 1946.

It is certainly understandable that confusion existed as to who had contract insurance before capture, or after repatriation, or who was covered by gratuitous insurance. The U.S. Army Command in the Philippines recognized that some deductions from back pay paid after repatriation were made in error and authorized the use of funds to make refund payments in various types of claims including claims for erroneous deductions of NSLI premiums, without processing or approval by U.S. authorities. The amount authorized was considered sufficient to satisfy all claims and any excess was to be returned to the Treasury of the United States by June 30, 1949. This date was later extended to December 31, 1949. Another action was taken to correct these errors. The Finance Service, Headquarters, National Defense Forces, Republic of the Philippines, was invited to submit names of persons who might have legitimate claims of all types due to erroneous deductions. Over 9,000 were submitted and processed, including claims for erroneous insurance premium deductions.

Despite these efforts, it must be recognized that the probability exists that some errors were made that remain uncorrected. Under the circumstances, the Veterans' Administration would have no objection to the favorable consideration by your committee of the first section of H.R. 16557, subject to certain suggested amendments discussed hereafter.

H.R. 16557 would require the filing of an application for the refund with the Veterans' Administration within 1 year after the date of enactment together with satisfactory proof that the erroneous deductions were made and have not been refunded. The refunds would be made from the NSLI appropriation. If the serviceman concerned has died, refunds would only be made to living members of the following classes, and in the order named: Widow or widower; child or children in equal shares; or parents in equal shares.

If the bill is enacted, we would require an affirmative finding of fact to each of the following to establish entitlement:

1. The claimant was awarded arrears in pay as a member of the Philippine Army while those forces served in the U.S. Armed Forces.
2. NSLI premiums were deducted from such arrears in pay.
3. No contract of insurance was in force over the period for which there were such deductions (except in cases in which insurance was validly in force but double deductions or premiums were made).
4. No refund has been made for the deduction.

We believe, however, that claims for refunds should be filed initially with the Government of the Republic of the Philippines and that Government should be required, after research of its records, to make appropriate certification to the Veterans' Administration (together with submission of a transcript of necessary records) of those cases where the established criteria have been met.

In order to assure that the claims will be handled in this fashion, we are enclosing a substitute draft of the first section of H.R. 16557 and recommend its adoption. Because of the communications problem among the various islands in the Philippines, our draft also proposes to enlarge to 2 years from the date of the bill's enactment the period during which a claim for these refunds may be filed.

It is most difficult to estimate the number that may be equitably entitled to these refunds. The Department of the Army reports that from a sample of files, 85 percent did not have premium deductions from arrears in pay. We know that about 18 percent did have contract insurance and over \$450,000 has already been made available for certain refunds including the erroneous premium deductions. It appears that approximately 2,000 veterans who had premium deductions without having contract insurance and another 1,200 veterans who, having NSLI contracts, had double deductions made may file claim. On the basis, we estimate that the total claims cost would not exceed \$500,000 with an additional \$35,000 in administrative cost for processing the claims.

Section 2 of H.R. 16557 proposed to amend the provisions of existing law providing service-connected benefits for certain Philippine veterans and their survivors (1) to authorize payment of such benefits at a rate of 2 pesos for each dollar otherwise authorized and (2) where annual income is a factor in entitlement to benefits, to apply the dollar limitations of the law at a rate of 2 Philippine pesos for each dollar.

Section 107 of title 38, United States Code, authorizes the payment of certain monetary benefits to (1) persons who served in the organized military forces of the Government of the Commonwealth of the Philippines while such forces were in the service of the United States pursuant to the Military Order of the President of the United States dated July 26, 1941, including recognized guerrilla forces, and (2) the so-called "new" Philippine Scouts (enlisted under the provisions of section 14 of the Armed Forces Voluntary Recruitment Act of 1945 (Public Law 190, 79th Cong.)), and to the dependents of deceased veterans in each group. Under existing law these benefits—disability compensation, death compensation, dependency and indemnity compensation, and burial allowances—are payable at the rate of 1 Philippine peso for each dollar authorized, and where annual income is a factor in entitlement to such benefits, the dollar limitations in the law specifying such annual income are applied at the rate of 1 Philippine peso for each dollar.

The mentioned provisions of 38 U.S.C. 107 do not apply to members or the survivors of members of the "old" Philippine Scouts (which was a component of the regular U.S. Army) or to any Filipinos who served directly in the Armed Forces of the United States. Such persons and their survivors are currently, and always have been, eligible for benefits to the same extent as all other veterans of our Armed Forces, assuming they meet pertinent eligibility criteria, and monetary benefits to which they become entitled are payable on a dollar-for-dollar basis.

Section 2 of H.R. 16557, if enacted, would affect the two groups of Philippine veterans mentioned above and their survivors in two ways:

First, it would authorize the payment of all authorized monetary benefits at the rate of 2 Philippine pesos for each dollar authorized, thus doubling the amount of present payments to these beneficiaries.

Second, the bill would affect income computations in those cases where annual income is a factor in entitlement to benefits. Under existing law, this is the case only in connection with the payment of dependency and indemnity compensation to parents of deceased veterans. For example, as to a sole surviving parent 38 U.S.C. 415 provides, in part, that if the parent's total annual income is \$750 or less, \$83 monthly dependency and indemnity compensation is payable; if the parent's total annual income is over \$750 but \$1,000 or less, \$66 monthly is payable; etc. In the case of a parent of a member of one of the groups affected by this bill the dollar limitations apply at the rate of 1 Philippine peso for each dollar. Thus, a sole surviving parent who has an annual income of 800 pesos, for example, will be paid monthly dependency and indemnity compensation of 66 pesos.

If H.R. 16557 is enacted and the dollar limitations are applied at the rate of 2 Philippine pesos to each dollar, the mentioned \$750 and \$1,000 income limitation would, for these cases, be 1,500 and 2,000 pesos, respectively. Hence, in the example above, the parent's 800 peso annual income would qualify him for the higher monthly rate of dependency and indemnity compensation. Coupled with the other provision of the section, the parent would be eligible for a monthly payment of 166 pesos. It will thus be seen that surviving parents would be benefited by both such provisions.

The provision that disability and death compensation shall be paid on a peso basis to the groups involved was initially placed in title II of

the First Supplemental Surplus Appropriation Rescission Act, 1946 (Public Law 301, 79th Cong.), as regards the Commonwealth army group and in title II of the Second Supplemental Surplus Appropriation Rescission Act, 1946 (Public Law 391, 79th Cong.), as regards the Philippine Scouts group. In order to arrive at an understanding of the purpose the Congress had in mind at the time, it is pertinent to consider portions of the hearings of March 25, 1946, on this subject before the subcommittee of the Committee on Appropriations, U.S. Senate, on H.R. 5604, which became Public Law 391, 79th Congress.

Page 30 of the mentioned hearings records Senator Carl Hayden's testimony, in part, as follows:

The next to the last proviso in the amendment relates to the payment of mustering out pay and pensions [compensation] on a peso-for-dollar basis, which conforms to the proposal of the Secretary of War to fix the pay of Philippine Scouts on that same basis. It is also in conformity with a provision in the First Rescission Act approved February 18, 1946, which provided that pensions [compensation] granted to those who served in the Philippine Army during the war or to their dependents "shall be paid at the rate of 1 Philippine peso for each dollar authorized to be paid under the laws providing for such pensions."

On pages 58 and 59 of the same hearings Senator Hayden's testimony is recorded, in part, as follows:

It was, therefore, decided that the legal situation must be promptly clarified and that the best way to accomplish it was by way of an amendment to the surplus appropriation rescission bill, H.R. 4407, then under consideration by this committee, which was to provide for an appropriation of \$200 million for the Army of the Philippines. Senator McKellar, as acting chairman, appointed me to serve on a subcommittee along with Senator Russell, of Georgia, and Senator Brooks, of Illinois. We are the authors of the following amendment, which finally became a law on February 18, 1946, as Public Law 301, 79th Congress:

* * * * *

The first effect of the amendment from the point of view of the United States Treasury was to reduce a liability for veterans' benefits from \$3 billion to \$500 million, both of these amounts being based upon estimates made by the Veterans' Administration. This was accomplished by limiting such benefits to pensions on account of service-connected disability or death and by further providing that when allowed, such pensions shall be paid at the rate of 1 Philippine peso for each dollar otherwise authorized.

¶ H.R. 4407, 79th Congress, cited in the above testimony, was replaced by H.R. 5158, containing the Philippine Army amendment referred to by Senator Hayden, and the latter was enacted as Public Law 301, 79th Congress, known as the First Supplemental Surplus Appropriation Rescission Act, 1946.

In 1946 when the mentioned Rescission Acts were enacted the exchange rate was 2 Philippine pesos for 1 American dollar. here-

after, until 1960, this exchange rate remained fairly stable at this level. However, since 1960 the exchange rate has widened to the point that by 1965 it was 3.91 pesos for 1 U.S. dollar. It remains at about that level today, the dollar value of the peso being approximately 25½ cents. It follows that H.R. 16557, if enacted, would restore the Philippine beneficiaries, insofar as the relative value of the two monetary units is concerned, to approximately the same position they had in 1946 when the peso-dollar provisions were enacted. Considered from this standpoint, the proposed 2 pesos to each dollar rate is believed to be a reasonable one.

It is pertinent to note that on August 3, 1966, the Veterans' Administration recommended the enactment of H.R. 16367, 89th Congress, a bill which proposes to extend the benefits of the war orphans' educational assistance program to the children of those veterans of the Philippine Commonwealth Army who died or have become permanently and totally disabled by reason of their service during World War II. Our report noted that the payment of allowances under that bill would be made on the basis of 2 pesos for each dollar otherwise authorized. As you know H.R. 16367 was reported, by your committee on August 4, 1966.

There are no data presently available as to the income of parents in receipt of dependency and indemnity compensation. Hence, the following estimate of the cost of section 2 of the bill, if enacted, does not take into consideration that portion of the measure relating to income limitations. Assuming that the current 3.91 peso-per-dollar conversion rate will remain constant, it is estimated that the additional first year's cost otherwise resulting from the enactment of this section of the bill would approximate \$12,525,000. This amount would decline slightly in each of the succeeding 4 years.

Under all of the circumstances, and taking into account the differences in the economy and living standards in the United States and in the Republic of the Philippines, it is believed that the amendment proposed by section 2 of H.R. 16557 is reasonable.

Subject to the suggested revision of the first section, I recommend the favorable consideration of H.R. 16557 by your committee.

We have been advised by the Bureau of the Budget that there is no objection from the standpoint of this administration's program to the submission of this report to your committee, and that enactment of this legislation would be consistent with this administration's objectives.

Sincerely,

CYRIL F. BRICKFIELD,
Deputy Administrator.

NSLI-PHILIPPINE PESO PAYMENTS

THE GENERAL COUNSEL OF THE TREASURY,
Washington, D.C., August 22, 1966.

HON. OLIN E. TEAGUE,
*Chairman, Committee on Veterans' Affairs,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on H.R. 16557, to provide for the refund of certain unearned premiums on policies of national service life insurance to former members of the organized military forces of the Government of the Commonwealth of the Philippines, and to amend title 38 of the United States Code to provide that certain payments under that title shall be made at the rate of 2 Philippine pesos for each dollar authorized.

The first section of the bill would authorize the Administrator of Veterans' Affairs to refund unearned premiums on national service life insurance erroneously deducted from the arrears in pay paid by the U.S. Government to certain members of the military forces of the Government of the Philippines.

Section 2 would amend the provisions of existing law providing service-connected benefits for certain Philippine veterans and their survivors (1) to authorize payment of such benefits at "the rate of 2 pesos for each dollar otherwise authorized" and (2) where annual income is a factor in the entitlement to benefits, to apply the dollar limitations of the law at "the rate of 2 Philippine pesos for each dollar," rather than the 1-peso-per-dollar basis now required in both cases.

The Treasury supports the President's objective of both (a) resolving any inequalities and inadequacies that have developed with respect to Philippine veterans' benefits through legislation such as that being considered by your committee, and (b) minimizing or offsetting the balance-of-payments impact of such legislation. As you know, President Johnson, with respect to the latter objective, has asked Secretary Fowler and Secretary of State Rusk to prepare for his consideration an appropriate basis for discussions with the Philippine Government. The Treasury Department believes that the need for negotiation of offset arrangements should be an intrinsic part of the consideration of this legislation.

The Department has been advised by the Bureau of the Budget that there is no objection from the standpoint of the administration's program to the submission of this report to your committee.

Sincerely yours,

FRED B. SMITH,
General Counsel.

CHANGES IN EXISTING LAW

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

SECTION 107 (a) AND (b) OF TITLE 38, UNITED STATES CODE

§ 107. Certain service deemed not to be active service.

(a) Service before July 1, 1946, in the organized military forces of the Government of the Commonwealth of the Philippines, while such forces were in the service of the Armed Forces of the United States pursuant to the military order of the President dated July 26, 1941, including among such military forces organized guerrilla forces under commanders appointed, designated or subsequently recognized by the Commander in Chief, Southwest Pacific Area, or other competent authority in the Army of the United States, shall not be deemed to have been active military, naval, or air service for the purposes of any law of the United States conferring rights, privileges, or benefits upon any person by reason of the service of such person or the service of any other person in the Armed Forces, except benefits under—

(1) contracts of National Service Life Insurance entered into before February 18, 1946;

(2) the Missing Persons Act; and

(3) chapters 11, 13 (except section 412(a)), and 23 of this title.

Any payments made before February 18, 1946, to any such member under such laws conferring rights, benefits, or privileges shall not be deemed to have been invalid by reason of the circumstance that his service was not service in the Armed Forces or any component thereof within the meaning of any such law.

Payments under such chapters shall be made at [the rate of one peso] *a rate in pesos as is equivalent to \$0.50* for each dollar [otherwise] authorized, and where annual income is a factor in entitlement to benefits, the dollar limitations in the law specifying such annual income shall apply at [the rate of one Philippine peso] *a rate in Philippine pesos as is equivalent to \$0.50* for each dollar.

(b) Service in the Philippine Scouts under section 14 of the Armed Forces Voluntary Recruitment Act of 1945 shall not be deemed to have been active military, naval, or air service for the purposes of any of the laws administered by the Veterans' Administration except—

(1) with respect to contracts of National Service Life Insurance entered into (A) before May 27, 1946, (B) under section 620 or 621 of the National Service Life Insurance Act of 1940, or (C) under section 722 of this title; and

(2) chapters 11 and 13 (except section 412(a)) of this title.

Payments under such chapters shall be made at [the rate of one peso] *a rate in pesos as is equivalent to \$0.50* for each dollar [otherwise] authorized, and where annual income is a factor in entitlement to benefits, the dollar limitations in the law specifying such annual income shall apply at [the rate of one Philippine peso] *a rate in Philippine pesos as is equivalent to \$0.50* for each dollar.