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SENATE

} REPORT
No. 845

AMEND WORLD WAR VETERANS' ACT, 1924, AS AMENDED

JUNE 15 (calendar day, JUNE 20), 1932.—Ordered to be printed

Mr. GEORGE, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 8173]

The Committee on Finance, to whom was referred the bill (H. R. 8173) to provide for the renewal of 5-year level premium term Government insurance policies for an additional 5-year period without medical examination, having considered the same, report thereon with the recommendation that the bill do pass.

Following is a copy of the report to the House of Representatives by the Committee on World War Veterans' Legislation:

[House Report No. 1144, Seventy-second Congress, first session]

The Committee on World War Veterans' Legislation, to which was referred the bill (H. R. 8173) to provide for the renewal of 5-year level premium term Government insurance policies for an additional 5-year period, without medical examination, having had the same under consideration, report it back to the House and recommend that the bill do pass.

This bill proposes an amendment to the first paragraph of section 301 of the World War veterans' act, as amended, by adding thereto a proviso that at the expiration of the 5-year period for the 5-year convertible term contract of insurance, such policies may be renewed for a second 5-year period at the premium rate for the attained age without medical examination. Provision is also made that in case the 5-year period of any such policy has expired prior to the date of the enactment of this amendment, and the policy has not been continued in another form of Government insurance, such policy may be renewed as of the date of its expiration on the same conditions, upon the payment of back premiums within four months after such date of enactment.

The legal authority for the issuance of the 5-year level premium term policies is found in section 301 of the World War veterans' act, 1924, as amended June 2, 1926, and May 29, 1928 (title 38, U. S. C. Annot., sec. 512).

Under the present law the 5-year term policy must be converted to a higher-premium policy at the expiration of that term. While the veteran who is in good health and can pass a medical examination may obtain a new 5-year term policy under section 310, World War veterans' act, 1924, as amended, the veteran who is disabled faces forfeiture of his policy.

The average age of the veteran in July, 1932, when most of these 5-year term policies must be converted, will be 41 years. The monthly premium upon the 5-year term policy at that age is \$0.87 per \$1,000, so that for the average sized policy of \$6,800 the premium is \$5.91 a month, or \$71 a year. The lowest issued

policy to which the 5-year term policy may be converted is the ordinary life policy. For the ordinary life policy at the age of 41 the premium per \$1,000 is \$2.09, or \$14.21 a month on the average policy of \$6,800. That means that the ordinary life policy will cost \$171 a year, or exactly \$100 a year more than the 5-year term policy at the same age. There are approximately 97,000 veterans affected by this bill, and this is an extremely serious matter for them, because so many are unemployed and unable, perhaps, to make their premium payments. They will be unable to carry their insurance unless they can have this extension of five years and thus will be forced to drop their insurance and so deprive their families of the protection, or will be compelled to materially reduce the amount of insurance they are able to purchase at a higher premium rate, which will in turn, greatly diminish the amount of protection which they should give their families.

The information furnished by the Veterans' Administration indicates that the expiration time on these policies is as follows: January 1, 1932, 600; February 1, 1932, 630; March 1, 1932, 1,220; April 1, 1932, 3,200; May 1, 1932, 6,100; June 1, 1932, 19,700; and July 1, 1932, 55,500.

It is understood that no renewal of a 5-year term policy which has expired will be granted where permanent and total disability has intervened between date of expiration and renewal.

In compliance with clause 2a of Rule XIII there is herewith printed the preceding section of the existing law in roman type and the proposed amendatory provisions in italics:

"Sec. 301. Except as provided in the second paragraph of this section, not later than July 2, 1927, all term yearly renewable insurance held by persons who were in the military service after April 6, 1917, shall be converted, without medical examination, into such form or forms of insurance as may be prescribed by regulations and as the insured may request. Regulations shall provide for the right to convert into ordinary life, twenty-payment life, endowment maturing at age sixty-two, five-year level premium term, and into other usual forms of insurance, and for reconversion of any such policies to a higher premium rate or, upon proof of good health satisfactory to the director, to a lower premium rate, in accordance with regulations to be issued by the director, and shall prescribe the time and method of payment of the premiums thereon, but payments of premiums in advance shall not be required for periods of more than one month each, and may be deducted from the pay or deposit of the insured or be otherwise made at his election: *Provided*, That no reconversion shall be made to the five-year level premium form of policy.

All yearly renewable term insurance shall cease on July 2, 1927, except when death or total permanent disability shall have occurred before July 2, 1927: *Provided, however*, That the director may by regulation extend the time for the continuing of yearly renewable term insurance and the conversion thereof in any case where on July 2, 1927, conversion of such yearly renewable term insurance is impracticable or impossible due to the mental condition or disappearance of the insured.

In case where an insured whose yearly renewable term insurance has matured by reason of total permanent disability is found and declared to be no longer permanently and totally disabled, and where the insured is required under regulations to renew payment of premiums on said term insurance, and where this contingency is extended beyond the period during which said yearly renewable term insurance otherwise must be converted, there shall be given such insured an additional period of two years from the date on which he is required to renew payment of premiums in which to reinstate or convert said term insurance as hereinbefore provided: *Provided*, That where the time for conversion has been extended under the second paragraph of this section because of the mental condition or disappearance of the insured, there shall be allowed to the insured an additional period of two years from the date on which he recovers from his mental disability or reappears in which to convert.

The insurance, except as provided herein, shall be payable in two hundred and forty equal monthly installments: *Provided*, That when the amount of an individual monthly payment is less than \$5, such amount may in the discretion of the director be allowed to accumulate without interest and be disbursed annually. Provisions for maturity at certain ages, for continuous installments during the life of the insured or beneficiaries, or both, for refund of premiums, cash, loan, paid-up and extended values, dividends from gains and savings, and such other provisions for the protection and advantage of and for alternative benefits to the insured and the beneficiaries as may be found to be reasonable and practicable, may be provided for in the contract of insurance, or from time

to time by regulations. All calculations shall be based upon the American Experience Table of Mortality and interest at 3½ per centum per annum, except that no deduction shall be made for continuous installments during the life of the insured in case his total and permanent disability continues more than two hundred and forty months. Subject to regulations, the insured shall at all times have the right to change the beneficiary or beneficiaries without the consent of such beneficiary or beneficiaries, but only within the classes herein provided.

If no beneficiary be designated by the insured as beneficiary for converted insurance granted under the provisions of Article IV of the war risk insurance act, or Title III of this act, either in his lifetime or by his last will and testament, or if the designated beneficiary does not survive the insured, then there shall be paid to the estate of the insured the present value of the remaining unpaid monthly installments; or if the designated beneficiary survives the insured and dies before receiving all of the installments of converted insurance payable and applicable, then there shall be paid to the estate of such beneficiary the present value of the remaining unpaid monthly installments: *Provided*, That no payments shall be made to any estate which under the laws of the residence of the insured or the beneficiary, as the case may be, would escheat, but same shall escheat to the United States and be credited to the United States Government life insurance fund.

The bureau may make provision in the contract for converted insurance for optional settlements, to be selected by the insured, whereby such insurance may be made payable either in one sum or in installments for thirty-six months or more. The bureau may also include in said contract a provision authorizing the beneficiary to elect to receive payment of the insurance in installments for thirty-six months or more, but only if the insured has not exercised the right of election as hereinbefore provided; and even though the insured may have exercised his right of election the said contract may authorize the beneficiary to elect to receive such insurance in installments spread over a greater period of time than that selected by the insured. This section, as amended, shall be deemed to be in effect as of June 7, 1924: *Provided further*, That at the expiration of the five-year period a five-year level premium term policy may be renewed for a second five-year period at the premium rate for the attained age without medical examination; and in case the five-year period of any such policy has expired prior to the date of the enactment of this amendatory proviso and the policy has not been continued in another form of Government insurance, such policy may be renewed as of the date of its expiration on the same conditions upon payment of the back premiums within four months after such date of enactment; and the Administrator of Veterans' Affairs shall cause notice to be mailed to the holder of any such policy of the provisions of this amendatory proviso.