

AMENDING SECTION 622 OF THE NATIONAL SERVICE LIFE INSURANCE ACT OF 1940

JULY 12 (legislative day JULY 11), 1955.—Ordered to be printed

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

R E P O R T

[To accompany H. R. 1617]

The Committee on Finance, to whom was referred the bill (H. R. 1617) to amend section 622 of the National Service Life Insurance Act of 1940, having considered the same, report favorably thereon with an amendment, and recommend that the bill, as amended, do pass.

The amendment is as follows:

On page 2, line 18, substitute a comma for the colon and add the following:

except that premiums shall not be automatically waived with respect to any policy where the amount of the dividend earned would exceed the amount of the premium waived:

EXPLANATION OF AMENDMENT

The automatic waiver in death cases could result in a reduction of a benefit to the beneficiary inasmuch as dividends on permanent policies could be larger than the cost of pure insurance risk which would be waived by this bill. To avoid this result, provision is made for excluding any policies from the automatic premium waiver where the amount of the dividend earned would exceed the amount of the premium waived.

The House report on this bill is self-explanatory and is as follows:

EXPLANATION OF THE BILL

Under the provisions of section 622, added to the National Service Life Insurance Act of 1940, as amended by Public Law 23, 82d Congress (the Servicemen's Indemnity and Insurance Act of 1951), approved April 25, 1951, a veteran having either United States Government life insurance (World War I), or national service life insurance (World War II), and who is in the service, may elect to have the pure insurance risk portion of a permanent-type policy premium waived, or in the case of a term policy, have the entire insurance premium waived. This is true in the case of those members of the service who elect to retain their insurance on this basis rather than take the protection of the indemnity provided by Public

Law 23. This waiver may be only instituted, however, upon an application in writing signed by the insured.

Many individuals who had national service life insurance were either prisoners of war, missing in action, interned, captured, beleagued or otherwise in such a condition as to prevent their making application in writing for the waiver of this insurance premium. This bill is to correct the situation described above by providing that any insured, as provided in the Missing Persons Act, who has been in the status of missing, missing in action, interned, captured, beleagued, or besieged at any time after April 25, 1951, and before April 26, 1952, shall be entitled to the waiver of premiums on term insurance and that portion of the permanent insurance premium which represents pure insurance risk. Application for this waiver must be made within 120 days after date of enactment of this clause or the date of his return to military jurisdiction, whichever is the later.

Section 2 of the bill is a technical amendment of section 622 required by reason of the automatic waiver of premiums authorized under section 1.

As indicated in the Veterans' Administration report, there is no objection on the part of that agency to the favorable consideration of this measure.

The report of the Veterans' Administration follows:

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington 25, D. C., May 18, 1955.

Hon. OLIN E. TEAGUE,
Chairman, Committee on Veterans' Affairs,
House of Representatives, Washington 25, D. C.

DEAR MR. TEAGUE: Reference is made to your request for a report by the Veterans' Administration on H. R. 1617, 84th Congress, a bill to amend section 622 of the National Service Life Insurance Act of 1940.

H. R. 1617 is identical with H. R. 6928, 83d Congress, on which the Veterans' Administration submitted a report to your committee under date of August 12, 1954 (Committee Print No. 283), a copy of which is enclosed. The views expressed in the mentioned report on H. R. 6928 are equally applicable to H. R. 1617, 84th Congress.

Advice has been received from the Bureau of the Budget that there would be no objection to the submission of this report to your committee.

Sincerely yours,

JOHN S. PATTERSON
(For H. V. Higley, Administrator).

[No. 283]

COMMITTEE ON VETERANS' AFFAIRS, HOUSE OF REPRESENTATIVES

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D. C., August 12, 1954.

Hon. EDITH NOURSE ROGERS,
Chairman, Committee on Veterans' Affairs,
House of Representatives, Washington, D. C.

DEAR MRS. ROGERS: Reference is made to your request for a report by the Veterans' Administration on H. R. 6928, 83d Congress, a bill to amend section 622 of the National Service Life Insurance Act of 1940.

Existing provisions of section 622 of the National Service Life Insurance Act of 1940, as amended, authorize, upon written application by the insured, a waiver of all premiums on 5-year level premium term national service or United States Government life insurance and that portion of any permanent insurance premiums representing the cost of the pure insurance risk becoming due after June 1, 1951, or the first day of the second calendar month following entry into active service, whichever is the later date, and during the remainder of such continuous active service and 120 days thereafter.

The bill, with respect to persons in the active service who were determined to have been in a missing or similar status (as provided in the Missing Persons Act, as amended) at any time after April 25, 1951, and before April 26, 1952, would (1) grant an automatic waiver of all 5-year term premiums due or paid after June 1, 1951, and continue such waiver during the remainder of continuous active service and for 120 days thereafter, in the absence of a request in writing for termination of such waiver; and (2) authorize a waiver for the same period of time of that portion of any permanent insurance premiums representing the cost of the

pure insurance risk which were due or paid after June 1, 1951, if (a) the insured makes application for such waiver within 120 days after the date of enactment of the bill or the date of his return to military jurisdiction from such missing or similar status, whichever is the later date, or (b) if the insured dies or is declared dead while in such missing status or if the insured dies on or prior to the last day upon which he may apply for such waiver as set forth in (a) above.

It is noted that in death cases under 2 (b) above, the bill would provide an automatic waiver of that portion of any permanent insurance premium representing the cost of the pure insurance risk for the periods indicated. Since the insurance will be nonparticipating during the period the automatic waiver is in effect the bill, if enacted, may in some cases adversely affect rights previously acquired under existing law. Dividends on a large percentage of permanent plan United States Government life-insurance policies are considerably larger than the cost of the pure insurance risk and it would not be to the insured's advantage to have a portion of the premiums waived under section 622 of the act. Therefore, in death cases the automatic waiver provided by the bill may result in a reduction of benefits. To avoid this result, it is suggested that, if the bill be considered further, provision be made for excluding any policies from the automatic premium waiver where the amount of the dividend earned would exceed the amount of the premium waived.

Under section 622 of the act, if the policy matures while subject to the premium waiver provision, liability for payment of benefits under such insurance is borne by the United States in an amount which, when added to any reserve of the policy at the time of maturity, will equal the then value of such benefits. This provision would be applicable to cases within the purview of the bill. Since nearly all of the deaths of persons covered by the bill are traceable to the extra hazards of military or naval service and are paid from the insurance appropriations, it is not believed that the additional cost of deaths to the Government of the bill, if enacted, would be heavy. There will probably be a few cases where insureds covered by the bill die after their return to military jurisdiction or separation from service from causes other than extra hazards of military or naval service. However, there are no figures available upon which to base an estimate of such cost.

As to administrative cost, the bill would require the processing of premium waivers, premium refunds to be calculated and made, recalculation of the period for which dividends have been paid, and recovery of overpayment of dividends, etc. It is not known how many persons who were missing, captured, etc., within the purview of the bill have Government life insurance. Accordingly, an accurate estimate of the amount of additional administrative cost cannot be made, although it is believed it would not be large.

Should the bill be amended as suggested herein, the Veterans' Administration would interpose no objection to its favorable consideration by the committee.

Advice was received from the Bureau of the Budget with respect to a similar report on an identical bill, S. 3009, 83d Congress, that there would be no objection to the presentation of the report to the committee.

Sincerely yours,

H. V. HIGLEY, *Administrator.*

CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, 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 622 OF PUBLIC LAW 801, 76TH CONGRESS, AS AMENDED

SEC. 622. After the date of enactment of this section, any person while in active service for a continuous period in excess of thirty days who is insured under national service life insurance or United States Government life insurance shall be entitled, upon written application, to a waiver of all premiums on five-year level premium term insurance and that portion of any permanent insurance premiums representing the cost of the pure insurance risk, as determined by the Administrator, becoming due after the first day of the second calendar month following the date of enactment of this section, or the first day of the second calendar month following entry into active service, whichever is the later date,

and during the remainder of such continuous active service and 120 days thereafter: *Provided*, That no premium shall be waived under this section for any period [prior to] before the date of application therefor, except that if the insured is determined, as provided in the Missing Persons Act (58 Stat. 143), as amended, to have been in a status of missing, missing in action, interned, captured, beleaguered, or besieged, at any time after April 25, 1951, and before April 26, 1952, (A) all premiums due or paid after June 1, 1951, on five-year level premium term insurance shall, during the period of such status and during the remainder of his continuous active service and one hundred and twenty days thereafter, be waived unless the insured requests in writing that this waiver be terminated; and (B) that portion of any permanent insurance premiums due or paid after June 1, 1951, which represents the cost of the pure insurance risk shall, during the period of such status and during the remainder of his continuous active service and one hundred and twenty days thereafter, be waived if the insured applies therefor within one hundred and twenty days after the date of enactment of this clause or the date of his return to military jurisdiction, whichever is later, or if the insured dies or is declared dead while in such missing status or if the insured dies on or prior to the last day upon which he may apply for such waiver under this clause, except that premiums shall not be automatically waived with respect to any policy where the amount of the dividend earned would exceed the amount of the premium waived: *Provided*, That if the term of any five-year level premium term insurance on which premiums have been waived under this section expires while the insured is in active service, such term shall be automatically renewed for an additional five-year period and the premiums due at the then attained age shall be waived as provided above: *Provided further*, That [the election by an insured of the] premium waiver benefits [of] under this section [shall thereby] render [his] the contract of insurance nonparticipating during the period [such] a premium waiver is in effect: *Provided further*, That whenever benefits under such insurance become payable because of the maturity of such policy of insurance while the insured is in active service or within one hundred and twenty days thereafter, liability for payment of such benefits shall be borne by the United States in an amount which, when added to any reserve of the policy at the time of maturity, will equal the then value of such benefits under such policy. Where life contingencies are involved in the calculation of the value of such benefits, the calculation of such liability or liabilities shall be based upon such mortality table or tables as the Administrator may prescribe with interest at the rate of 2¼ per centum per annum as to insurance issued under sections 620 and 621, at the rate of 3 per centum per annum as to other national service life insurance, and 3½ per centum per annum as to United States Government life insurance. The Administrator is authorized and directed to transfer from time to time from the national service life insurance appropriation to the National Service Life Insurance Fund and from the military and naval insurance appropriation to the United States Government Life Insurance Fund such sums as may be necessary to carry out the provisions of this section.

