

## CLARIFYING THE PROVISIONS OF SECTION 602 (U) OF THE NATIONAL SERVICE LIFE INSURANCE ACT OF 1940, AS AMENDED

FEBRUARY 10, 1949.—Ordered to be printed

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

### REPORT

(To accompany S. 461)

The Committee on Finance, to whom was referred the bill (S. 461) to clarify the provisions of section 602 (u) of the National Service Life Insurance Act of 1940, as amended, having considered the same, report favorably thereon without amendment, and recommend that the bill do pass.

#### PURPOSE OF THE BILL

The purpose of the bill is to make it clear that as to insurance maturing on or after August 1, 1946, in cases where the beneficiary could not have elected to receive in a lump-sum settlement, any accrued installments on such insurance not paid to such beneficiary during his lifetime shall be paid to the estate of the insured rather than to the estate of the beneficiary.

#### APPROVAL OF BILL

Communications received from the American Legion, Veterans of Foreign Wars, Disabled American Veterans, American Veterans of World War II (AMVETS), and the Regular Veterans Association state that they are in accord with the purpose of the bill.

#### COST OF THE BILL

This legislation was recommended by the Veterans' Administration and approved by the Bureau of the Budget. It would not involve any additional cost and would lessen the probability of future litigation in insurance matters.

## GENERAL STATEMENT

The existing law and veterans regulations provide that payment will be made to the estate of the insured in cases:

- (1) Where no beneficiary is designated by the insured.
- (2) Where the beneficiary does not survive the insured.
- (3) Where a designated beneficiary not entitled to lump-sum settlement (insured did not designate such payment) survives the insured and dies before receiving all benefits due and payable, the remaining unpaid amounts go to the estate of the insured.

Changes in the present law by this bill are shown by the following comparison:

## PORTION OF SECTION 602 (U)

(Changed language in black brackets. New language in italics)

## PRESENT LAW

S. 461

(u) \* \* \*; and in any case in which no beneficiary is designated by the insured, or the designated beneficiary does not survive the insured, or a designated beneficiary not entitled to [choose] a lump-sum settlement survives the insured, and dies before receiving all the benefits due and payable, the commuted value of the [insurance remaining unpaid] shall be paid in one sum to the estate of the insured.

(u) \* \* \*; and in any case in which no beneficiary is designated by the insured, or the designated beneficiary does not survive the insured, or a designated beneficiary not entitled to (omits "choose") a lump-sum settlement survives the insured, and dies before receiving all the benefits due and payable, the commuted value of the *remaining unpaid insurance (whether accrued or not)* shall be paid in one sum to the estate of the insured.

The letter from the Administrator of Veterans' Affairs requesting this legislation is as follows:

SEPTEMBER 13, 1948.

Hon. ARTHUR H. VANDENBERG,  
*President pro tempore of the Senate,*  
*Washington 25, D. C.*

DEAR MR. PRESIDENT: There is transmitted herewith draft of a proposed bill to clarify the provisions of section 602 (u) of the National Service Life Insurance Act of 1940, as amended, with the request that it be introduced and considered for enactment.

The purpose of the proposed legislation is to amend section 602 (u) of the National Service Life Insurance Act of 1940, as amended, to make it clear that as to insurance maturing on or after August 1, 1946, which the beneficiary could not have elected to receive in a lump-sum settlement, any accrued installment or installments of such insurance not paid to such beneficiary during his or her lifetime shall be paid to the estate of the insured rather than to the estate of the beneficiary.

Section 602 (u) of the act presently provides:

"(u) With respect to insurance maturing on or subsequent to the date of enactment of the Insurance Act of 1946, in any case in which the beneficiary is entitled to a lump-sum settlement but elects some other mode of settlement and dies before receiving all the benefits due and payable under such mode of settlement, the present value of the remaining unpaid amount shall be payable to the estate of the beneficiary; and in any case in which no beneficiary is designated by the insured, or the designated beneficiary does not survive the insured, or a designated beneficiary not entitled to choose a lump-sum settlement survives the insured, and dies before receiving all the benefits due and payable, the commuted value of the insurance remaining unpaid shall be paid in one sum to the estate of the insured: *Provided*, That in no event shall there be any payment to the estate of the insured or of the beneficiary of any sums unless it is shown that any sums paid will not escheat."

Veterans' Administration Regulations and Procedure R-3489 provides as follows:

"3489. PAYMENT TO ESTATE OF INSURED.—If no person is designated beneficiary by the insured, or if the designated beneficiary (including a contingent beneficiary) does not survive the insured, or if the designated beneficiary (including a contingent beneficiary) not entitled to a lump-sum settlement survives the insured and dies before payment has commenced, the face amount of insurance less any indebtedness shall be paid to the insured's estate in one sum, provided that in no event shall there be any payment to such estate of any sums which, if paid, would escheat. If the designated beneficiary (including the contingent beneficiary) not entitled to a lump-sum settlement survives the insured and dies after payment has commenced but before receiving all the benefits due and payable, the present value of the remaining unpaid installments certain shall be paid in one sum to the insured's estate, provided that in no event shall there be any payment to such estate of any sums which, if paid, would escheat. This provision shall not apply to any insurance which matured prior to August 1, 1946."

It will be noted that the regulation relates to the portion of subsection (u) following the semicolon therein, and that the words "insurance remaining unpaid shall be paid in one sum to the estate of the insured" as used in this part of subsection (u) are interpreted in the regulation as including all of the unpaid insurance (whether accrued or not) as a basis for determining the amount to be paid to the estate of the insured.

It is believed that the regulation correctly interprets the law and is in conformity with the intent of the Congress in enacting the provisions of section 602 (u). However, it might be argued that the provisions of section 602 (u) may be interpreted as requiring that benefits accrued and unpaid during the lifetime of a beneficiary be paid to the estate of such beneficiary. The proposed legislation would make it clear that under section 602 (u) all of the insurance remaining unpaid at the time of death of a beneficiary (whether accrued or not) is payable to the estate of the insured.

Since the bill would only clarify the provisions of section 602 (u) of the National Service Life Insurance Act of 1940, as amended, its enactment would not involve any cost and would lessen the probability of future litigation in the matter.

For the foregoing reasons, the Veterans' Administration recommends favorable consideration of the proposed measure.

Advice has been received from the Bureau of the Budget that they have no objection to the submission of the proposed draft of bill to the Congress for its consideration.

Sincerely yours,

G. W. CLARK,  
*Executive Assistant Administrator*  
(For and in the absence of the Administrator).

The committee is in accord with the purposes of the bill and recommends its enactment.

