

CONTINUANCE OF NATIONAL SERVICE LIFE INSURANCE WITHIN 120 DAYS AFTER DISCHARGE

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. 1619]

The Committee on Finance, to whom was referred the bill (H. R. 1619) to amend certain provisions of the Servicemen's Indemnity Act of 1951, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

GENERAL STATEMENT

The Servicemen's Indemnity Act of 1951 (pt. I, Public Law 23, 82d Cong., approved April 25, 1951) provides free indemnity protection for 120 days after release from active service.

Under section 5 of the Servicemen's Indemnity Act any person in the active service having insurance on the 5-year level premium term plan, the term of which expires while the person is in the active service after April 25, 1951, may replace such insurance at any time within the 120-day period after separation from service during which he is covered by indemnity protection. However, if the insurance expires after separation from service, even though within the 120-day period of indemnity coverage, it may not be replaced. Section 1 of the bill would amend section 5 of the Indemnity Act to correct what appears to have been an oversight in the basic law.

The bill as approved by the committee would assure that those cases in which the 5-year term period expired during the 120-day period after discharge and such period has now elapsed, would have 120 days within which to replace their term insurance, if application is made within 120 days after enactment of the bill.

Section 2 of the bill would amend the last sentence of section 5 of the Servicemen's Indemnity Act to provide, with respect to waiver of premiums and total disability income benefits on permanent plan insurance issued or reinstated under that section, that in cases where the total disability commenced prior to the date of application the

Government shall bear the cost of premiums waived, the total disability benefits paid, and the excess mortality costs in such cases.

As indicated in the report of the Veterans' Administration neither section 1 nor section 2 of the bill would create any great additional cost to the Government.

The report submitted by the Veterans' Administration to the House committee is as follows:

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D. C., May 26, 1955.

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

DEAR MR. TEAGUE: This is in reply to your request for a report by the Veterans' Administration on H. R. 1619, 84th Congress, a bill to amend certain provisions of the Servicemen's Indemnity Act of 1951.

The principal purposes of the bill are (1) to provide for replacement of 5-year level premium term insurance, the term of which expires within 120 days after discharge from service after April 25, 1951; and (2) to provide that the United States shall bear the excess losses resulting from the issue or reinstatement of insurance, without medical examination, under section 5 of the Servicemen's Indemnity Act. It is noted that the bill would also grant an additional period of 120 days after its enactment within which term insurance expiring while the insured was in active service could be replaced.

The Servicemen's Indemnity Act of 1951 (pt. I, Public Law 23, 82d Cong., approved April 25, 1951) provides for the payment of a free indemnity in the maximum amount of \$10,000, reduced by the amount of any national service life insurance or United States Government life insurance in force at the time of death, for death in active service on or after June 27, 1950, or within 120 days after release from such service if called to active service for a period exceeding 30 days, and under other specified conditions.

Section 5 of the Servicemen's Indemnity Act provides, in part, that any person in the active service, who is insured under a permanent plan of national service life insurance or United States Government life insurance, may elect to surrender such contract for its cash value, and within 120 days after separation from active service be granted, without medical examination, the same type, plan, and amount of insurance so surrendered, or may reinstate such insurance upon payment of the required reserve and the premium for the current month. Any person in the active service having insurance on the 5-year level premium term plan, the term of which expires while the person is in active service after April 25, 1951, may, upon application made within 120 days after separation from service, payment of premiums and evidence of good health satisfactory to the Administrator, be granted an equivalent amount of insurance on the 5-year level premium term plan at the rate for his then attained age. Waiver of premiums under the National Service Life Insurance Act of 1940, as amended, may not be denied in any case of issue or reinstatement of insurance on a permanent plan under this section in which it is shown to the satisfaction of the Administrator that total disability of the applicant commenced prior to the date of his application.

It will be noted from the above that present law limits replacement of expired term insurance to that which expires while the insured is in the active service. Section 1 of the bill would amend section 5 of the Servicemen's Indemnity Act to permit replacement of such insurance which expires within 120 days after discharge from service. Enactment of this provision would, to this extent, correct what appears to have been an oversight in the basic law. To assure an opportunity for those cases in which the term expired during the 120-day period and such period has now elapsed, the bill would authorize an application for new term insurance within 120 days after enactment of the bill. However, there appears to be no justification for granting an additional 120-day period for those cases in which the insurance expired during service.

Although section 2 of the bill is intended to relieve the national service life insurance fund and the United States Government life insurance fund of excess losses resulting from the issue or reinstatement of insurance, without medical examination, under section 5 of the Servicemen's Indemnity Act, it would not be possible in all cases without a physical examination to determine the condition of the insured's health at the time the insurance is issued or reinstated, for the

purpose of fixing future liability on the funds or the appropriations. There will be some cases in which the Veterans' Administration from the evidence filed in connection with a claim, or from compensation or military records, can determine whether the injury or disease which resulted in total permanent disability or death of the insured existed at the time the insurance was issued or reinstated, but there will undoubtedly be other cases where no such determination can be made. In such latter cases, there would be no factual basis for charging losses to the appropriation rather than to the national service life insurance fund or the United States Government life insurance fund. In any event, it is probable that a large percentage of disabled persons so insured within 120 days following discharge may be suffering from a disability that is traceable to the extra hazards of military or naval service. In such cases existing provisions of law would relieve the trust funds of the liability arising from insuring impaired lives.

On the other hand, with respect to waiver of premiums and total disability income benefits in cases of issue or reinstatement of insurance where it is shown that the total disability commenced prior to date of application, the liability incurred from the impaired risks is at once ascertainable and properly should not be chargeable to the trust funds in any case. Similarly, the excess mortality cost where the insurance matures by death from such total disability should be borne by the appropriation. It would therefore be preferable, and the Veterans' Administration so recommends, that section 2 of the bill be redrafted so as to amend the last sentence of section 5 of the act to read:

"Waiver of premiums and total disability income benefits otherwise authorized under the National Service Life Insurance Act of 1940, as amended, or the World War Veterans' Act, 1924, as amended, shall not be denied in any case of issue or reinstatement of insurance on a permanent plan under this section in which it is shown to the satisfaction of the Administrator that total disability of the applicant commenced prior to the date of his application. The cost of premiums waived and total disability income benefits paid by virtue of the preceding sentence and the excess mortality cost in any case where the insurance matures by death from such total disability shall be borne by the United States and 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 reimburse the funds for such costs."

If the bill is enacted, section 1 would create little or no cost to the Government. As to section 2, with respect to the United States bearing the excess losses resulting from issue or reinstatement of insurance under section 5 of the Servicemen's Indemnity Act, without medical examination, there are no data available upon which to base an estimate of such losses that would be chargeable to the appropriations, but it is believed they would not be great whether section 2 is enacted in its present form or as recommended above.

Due to the urgent request of the committee for a report on this measure, there has not been sufficient time in which to ascertain from the Bureau of the Budget the relationship of the proposed legislation to the program of the President.

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 5 of Public Law 23, 82d Congress, as amended

SEC. 5. The automatic indemnity coverage authorized by section 2 shall apply to any person in the active service of the named Armed Forces who, upon death in such active service or within one hundred and twenty days after separation or release from such active service as prescribed in section 2, is insured against such death under a contract of national service life insurance or United States Government life insurance, but only with respect to a principal amount of indemnity

equal to the difference between the amount of insurance in force at the time of death and \$10,000. Any person in active service who is insured under a permanent plan of national service life insurance or United States Government life insurance, may elect to surrender such contract for its cash value. In any such case the person, upon application in writing made within one hundred and twenty days after separation from active service, may be granted, without medical examination, permanent plan insurance on the same plan not in excess of the amount surrendered for cash, or may reinstate such surrendered insurance upon payment of the required reserve and the premium for the current month. Any person [in the active service] having United States Government life insurance or national service life insurance on the five-year level premium term plan, the term of which expires while such person is in active service after [the date of this enactment,] April 26, 1951, or within one hundred and twenty days after separation from such active service, shall, upon application made within one hundred and twenty days after separation from service, or the enactment of this amendment, whichever be the later, payment of premiums and evidence of good health satisfactory to the Administrator, be granted an equivalent amount of insurance on the five-year level premium term plan at the premium rate for his then attained age. Waiver of premiums and total disability income benefits otherwise authorized under the National Service Life Insurance Act of 1940, as amended, or the World War Veterans' Act, 1924, as amended, shall not be denied in any case of issue or reinstatement of insurance on a permanent plan under this section in which it is shown to the satisfaction of the Administrator that total disability of the applicant commenced prior to the date of his application. *The cost of premiums waived and total disability income benefits paid by virtue of the preceding sentence and the excess mortality cost in any case where the insurance matures by death from such total disability shall be borne by the United States and 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 reimburse the funds for such costs.*

