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SENATE

{ REPORT
No. 1459

EDWINA R. MUNCHHOF

JANUARY 17 (calendar day, JANUARY 19), 1929.—Ordered to be printed

Mr. REED of Pennsylvania, from the Committee on Finance, submitted the following

REPORT

[To accompany S. 5331]

The Committee on Finance, to whom was referred the bill (S. 5331) for the relief of Edwina R. Munchhof, having had the same under consideration, report it back to the Senate without amendment and recommend that the bill do pass.

Following is a letter from the Director of the United States Veterans' Bureau regarding the merits of the bill:

JANUARY 9, 1929.

Hon. DAVID A. REED,
United States Senate, Washington, D. C.

MY DEAR SENATOR REED: I have the honor to invite the attention of the committee to the facts surrounding the attempted contract of insurance between the Government and Theodore J. Munchhof, deceased, as follows:

Theodore J. Munchhof entered the active service of the United States as a member of the Enlisted Reserve Corps on September 1, 1917; was honorably discharged to accept a commission on May 5, 1918; accepted a commission as second lieutenant in the Signal Officers Reserve Corps, was assigned to active duty on May 6, 1918, and honorably discharged December 8, 1918. He was subsequently commissioned a second lieutenant, Air Service Reserve Corps, and called to active duty on September 15, 1927. He met his death in an airplane accident at Crissy Field, Calif., on March 26, 1928, while on active duty.

Mr. Munchhof applied for and was granted war-risk (term) insurance in the amount of \$10,000 on February 1, 1918, designating as beneficiary thereof his mother, Mary Matilda Munchhof, which was permitted to lapse on account of nonpayment of premium due January 1, 1919. Effective March 1, 1924, the insurance was reinstated in full, and premiums were paid thereon to include October, 1924, when it lapsed again for failure to pay the premium due November 1, 1924. Reinstatement was accomplished effective August 1, 1925, and premiums paid to include the month of February, 1926, but on nonpayment of the premium due March 1, 1926, it again lapsed. Another reinstatement was made, effective May 1, 1926, but no premiums were paid except the ones necessary in the reinstatement, and the insurance again lapsed for nonpayment of premium due June 1, 1926. Another reinstatement on January 1, 1927, was followed by lapse for nonpayment of premium due February 1, 1927. On application dated June 1, 1927, the veteran applied for reinstatement of the \$10,000 term insurance and

conversion of the same to a \$10,000 5-year convertible term insurance policy, effective June 1, 1927, designating his wife, Edwina R. Munchhof, beneficiary. The reinstatement form which accompanied the application for conversion was Form No. 744, which contains no report of physical examination, and which is applicable only when the insured applies for reinstatement within three months from date of lapse. The bureau accepted this reinstatement application, however, and a policy of 5-year convertible term insurance was issued to the veteran. Premiums on this policy were paid to include July, 1927, but none was paid for August, 1927, so that normally the insurance would have lapsed for failure to pay the premium due August 1, 1927.

Premium notices were duly sent to the veteran and the file shows that he returned the notices for October and November, 1927, with the advice that he had been paying premiums by deduction from his Army pay vouchers (from which it may be inferred that he believed he was complying with the requirements of the law). At this same time, he advised the bureau of his change of address which, however, was overlooked in the next communication to him concerning the necessity of payment of the premium for August, 1927, the letter being sent to his old address and never answered by him. Information furnished the bureau by the Adjutant General of the Army is to the effect that after he was called to active duty on September 15, 1927, he made deductions from his pay roll for the months of September, October, November, and December, 1927, and for January and February, 1928, a period of six months. These deductions were not applied as premiums when received in the bureau, action thereon being suspended pending the adjustment of the premium account for the months of August and September, 1927, which, as hereinbefore stated, the insured had failed to pay.

The question as to whether insurance was legally payable in this case was submitted to the Comptroller General of the United States. It was pointed out that this officer was on active duty from September 15, 1927, to March 26, 1928, the date of his death, and that if his insurance lapsed for nonpayment of the August, 1927, premium, and was therefore not in force, he would have the right, during said period of active service, to make original application for converted insurance. Accordingly, it was requested that consideration be given to the question whether, since he paid premiums regularly from September, 1927, to February, 1928, in monthly amounts equivalent to those required upon a new application for converted insurance, it might not be held that the officer made such new application and thereafter regularly paid the necessary premiums thereon. In a decision dated November 6, 1928, the Comptroller General ruled that payment of insurance in this case was not authorized holding that inasmuch as under the regulations of the bureau a formal application for insurance is necessary during the first 120 days after entrance into the active military service, there is no basis for a holding that mere deductions from pay while in the service is equivalent to a new or original application for insurance, or sufficient to revive a policy which had lapsed while the insured was not in the active military service. A copy of this decision is inclosed for the information of the committee.

In his reply the Comptroller General incidentally advised, as will be noted by reference to inclosed copy of his decision, that the bureau was in error on one point, to wit, that the insured deducted premiums from his pay account in February, 1928, stating that there was in his office "the pay and allowance account" for the month of February, 1928, signed by the insured, showing that he made no deduction for the insurance premium for that month and that said premium was not shown to have been paid otherwise.

Following receipt of this decision the bureau addressed another letter to the Comptroller General inviting attention to the fact that in working on the assumption that the insured paid his February premium by deduction from his pay, the bureau was guided by a transcript of payments furnished by the War Department, and, in addition thereto, a formal notice of separation of the insured from the service by death, showing a premium deduction for February, 1928. In reply to this, the Comptroller General advised that a reexamination of his records disclosed no evidence of the payment of the February premium, and, without intimating whether or not the payment or nonpayment of this premium would affect his decision in the case, suggested that the War Department be advised of the discrepancy in the records and be requested to report on what basis the statement was made that the insured had paid his February premium. In accordance with this suggestion, there is now in course of preparation a letter to the Adjutant General of the Army laying the matter before him and requesting that he advise definitely whether or not such deduction was made. Upon

receiving a reply from The Adjutant General, should it appear to have any bearing on the merits of this case, you will be further advised. There is also inclosed for your information copy of the letter from the Comptroller General dated December 10, 1928.

The facts in this case seem to disclose certain equities in favor of the payment of the insurance, and since the Comptroller General has advised me that it can not lawfully be paid, I wish to submit to the Congress the propriety of the enactment of special legislation in favor of Mrs. Edwina Munchhof. There is inclosed draft of a special bill which is respectfully recommended to the favorable consideration of the committee and of Congress as a whole.

A copy of this letter is also inclosed for your use.

Very truly yours,

FRANK T. HINES, *Director.*

