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85TH CONGRESS }  
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SENATE }

REPORT  
No. 2060

## INCREASING AMOUNT OF TOTAL DISABILITY INCOME UNDER NATIONAL SERVICE LIFE INSURANCE

JULY 30, 1958.—Ordered to be printed

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

### REPORT

[To accompany H. R. 11577]

The Committee on Finance, to whom was referred the bill (H. R. 11577) to increase from \$5 to \$10 per month for each \$1,000 national service life insurance in force the amount of total disability income benefits which may be purchased by insureds, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

#### EXPLANATION OF THE BILL

The National Service Life Insurance Act authorizes, upon application, proof of good health and payment of an extra premium, inclusion in the policies (except those issued under sec. 620 or sec. 621 of the act) of a provision for the payment of monthly disability income to an insured who becomes totally disabled for a period of 6 consecutive months or more. The total disability must commence after the date of application, while the payment of any premium is not in default, and before the insured attains the age of 60. The amount of the monthly disability income is computed at the rate of \$5 for each \$1,000 of insurance in effect when the benefit becomes payable. Thus, the maximum amount of total disability income payable on a \$10,000 policy is \$50 monthly.

United States Government life insurance (World War I) provides for similar coverage up to \$57.50 a month on a \$10,000 policy for a total disability commencing before the insured attains the age of 65. Under both national service life insurance and United States Government life insurance, payments of the total-disability income does not decrease the face value of the policy. However, under United States Government life insurance the veteran is entitled, without the payment of any additional premium and upon a finding of total and permanent disability, to an additional amount of \$57.50 per month

on a \$10,000 policy which does decrease the face value of the policy. Thus, a World War I veteran who has paid an additional premium for a total-disability income rider and who becomes totally and permanently disabled is entitled to disability income of \$115 per month.

The purpose of the subject bill is to authorize an increase in the total-disability income for the World War II veterans from the present limit of \$50 per month, when carried on a \$10,000 policy, to \$100 per month, and to authorize the inclusion of the total-disability income rider in policies issued under section 621 of the National Service Life Insurance Act. Under the bill the total-disability income could range between \$10 and \$100 monthly, depending on the premium paid and the principal amount of the insurance carried by the insured.

The report of the Veterans' Administration on this bill is as follows:

VETERANS' ADMINISTRATION,

June 24, 1958.

Hon. HARRY F. BYRD,

*Chairman, Committee on Finance,*

*United States Senate, Washington, D. C.*

DEAR SENATOR BYRD: The following report on H. R. 11577, 85th Congress, is submitted at your request.

The purpose of the bill is to amend the National Service Life Insurance Act of 1940, as amended, to accomplish the following:

(1) Increase from \$5 to \$10 per month for each \$1,000 insurance in force the amount of total disability income protection which may be purchased by insureds;

(2) Provide for the first time for the addition of a total disability income rider to policies of special term insurance issued under section 621 of the act; and

(3) Permit holders of policies with existing \$5 total disability income riders who are in good health and otherwise qualify to surrender their \$5 rider and add the \$10 provision to their policies.

Under section 602 (v) of the National Service Life Insurance Act the Administrator is authorized, upon application by the insured, proof of good health and payment of an extra premium, to include in the policy a provision whereby the insured, upon becoming totally disabled for a period of 6 consecutive months or more commencing after the date of his application and before attaining the age of 60 and while the payment of any premium is not in default, shall be paid monthly disability income benefits from the first day of the seventh consecutive month of and during the continuance of such total disability of \$5 for each \$1,000 of such insurance in effect when the benefits become payable. The total disability income rider may be added to any national service life insurance policy except those issued to service-disabled veterans under section 620 and the special term insurance issued under section 621 of the act.

As section 621 insurance is nonparticipating, the total disability income rider authorized by the bill for such insurance will also be nonparticipating. Section 2 of the bill makes it clear that premiums on the rider will be placed in the revolving fund established under section 621 and that all liabilities thereunder will be paid from such fund. Further, section 602 (v) of the act relating to the transfer of funds where the disability is traceable to the extra hazard of service would be inapplicable to the benefits on a rider contained in a section 621 policy.

The bill, if enacted, will result in some additional cost to the Government. The Government is obligated to bear the cost of administration of the insurance program and to assume the liability for the payment of the total disability income benefits on the participating policies for all disabilities traceable to the extra hazard of service. Since it is not known how many additional insureds would apply for the more liberal benefit provided under the bill no accurate estimate can be made of this additional cost. In the event of a conflict in the not too distant future, the cost to the Government would be increased to some unknown extent.

As the proposed increase in the amount of the total disability income benefit is in line with the current practice of commercial companies, the Veterans' Administration recommends favorable consideration of the bill by your committee.

The Veterans' Administration has been advised by the Bureau of the Budget that there was no objection to the submission of a similar report on this bill to the Committee on Veterans' Affairs, House of Representatives.

Sincerely yours,

SUMNER G. WHITTIER, *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 are shown as follows (existing law proposed to be omitted is enclosed in black brackets; new matter is printed in italic; existing law in which no change is proposed is shown in roman):

(v) (1) The Administrator **[is hereby authorized and directed]** shall, upon application by the insured and proof of good health satisfactory to the Administrator and payment of such extra premium as the Administrator shall prescribe, **[to]** include in any national service life insurance policy on the life of the insured (*including insurance issued under section 621 but not including insurance issued under section 620*) provisions whereby an insured who is shown to have become totally disabled for a period of six consecutive months or more commencing after the date of such application and before attaining the age of sixty and while the payment of any premium is not in default, shall be paid monthly disability benefits from the first day of the seventh consecutive month of and during the continuance of such total disability of **[\$5]** \$10 for each \$1,000 of such insurance in effect when such benefits become payable; *however, the total disability provision authorized under this amendatory Act shall not be added to a policy containing the total disability coverage heretofore issued under this subsection, except upon surrender of such total disability coverage, proof of good health satisfactory to the Administrator, and payment of such extra premium as the Administrator shall determine is required in such cases: Provided, That in any case in which the applicant while not totally disabled and prior to January 1, 1950, furnishes proof satisfactory to the Administrator that his inability to furnish proof of good health is the result of an actually service-incurred injury or disability, the requirement of proof of good health shall be waived, but in such case the extra premium for disability coverage paid by any such insured*

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shall be credited directly to the national service life-insurance appropriation and any disability payments made to such insured shall be made directly from the national service life-insurance appropriation: *Provided further*, That policies containing additional provisions for the payment of disability benefits may be separately classified for the purpose of dividend distribution from otherwise similar policies not containing such benefit. *The total disability provision issued under this subsection which is included in a policy of insurance issued under section 621 shall be nonparticipating. The premiums on such total disability provision shall be credited directly to the revolving fund established under section 621 and payments on such total disability provision shall be made directly from such revolving fund.*

