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INCREASING SERVICEMEN'S GROUP LIFE INSURANCE TO $15,000

September 16, 1969.—Ordered to be printed

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

REPORT

[To accompany S. 1479]

The Committee on Finance, to which was referred the bill (S. 1479) to amend chapter 19 of title 38, United States Code, in order to increase from $10,000 to $15,000 the amount of servicemen's group life insurance for members of the uniformed services, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

Summary of the Bill

Under present law, active duty servicemen are insured for $10,000 under the servicemen's group life insurance program unless they choose either not to be insured or to be insured for $5,000. Servicemen pay premiums based on comparable civilian mortality rates; the premium for $10,000 in servicemen's group life insurance is currently $2 per month. The Federal Government pays that portion of the cost of the insurance due to the extra hazard of active duty.

S. 1479 would increase the amount of the servicemen's group life insurance from $10,000 to $15,000.

Background

Between 1956 and 1965 persons in active military service were not insured under Federal legislation unless they still retained Government life insurance obtained prior to April 25, 1951. With the intensification of hostilities in Vietnam, Congress enacted legislation in September 1965 providing group life insurance to servicemen on active duty. Coverage extends to all personnel on active duty (including reservists), provided they are ordered to active duty for a period of 30 days or more.

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A serviceman is automatically insured for $10,000 unless he indicates in writing that he wishes either to be insured for $5,000 or not to be insured. The insurance continues for 120 days after the serviceman's separation from active duty, without additional cost to him, whether he is discharged, retired, or returned to non-active-duty Reserve status.

The individual serviceman's premium since 1965 has been set at $2 per month for $10,000 and $1 per month for $5,000. Of those servicemen eligible, 98.4 percent are maintaining the insurance and virtually all of these have the $10,000 maximum coverage. The low cost to individuals is made possible by insuring all members of the uniformed services under a single group insurance master contract, and by the Government bearing the cost of the extra hazard attributable to military service. This extra hazard cost is calculated on the basis of the extent to which mortality in the uniformed services exceeds the mortality in the U.S. male civilian population of the same median age.

The program is administered by a commercial primary insurer, the Prudential Insurance Co. of America, under the supervision of the Veterans' Administration. Premiums for this insurance, including its cost of administration, are deducted monthly from servicemen's pay and remitted by each uniformed service to the Veterans' Administration which in turn remits them to the primary insurer. All claims are paid by the primary insurer. However, in cases where there is some question as to the existence of the coverage, the Veterans' Administration makes the final decision.

The proceeds of the insurance can be paid either in a lump sum or in 36 equal monthly installments including interest on the unpaid balance. This gives an income of $296.40 monthly on $10,000 of insurance at the rate of interest now being paid. The beneficiary may choose the mode of payment unless the insured by designation restricts payments to 36 monthly installments.

The total amount of insurance in force is now $36.8 billion, of which $33.7 billion is related to 3.4 million members on active duty and $3.1 billion is related to 310,000 persons separated from the service 120 days or less.

Under peacetime conditions, the servicemen's group life insurance program would be self-supporting and would not require any Government subsidy. However, because of the casualties in Vietnam, service deaths have far exceeded peacetime levels and the Government has made substantial contributions. These are summarized in table 1.

TABLE 1.—SERVICEMEN'S GROUP LIFE INSURANCE: SOURCE OF FUNDS

[Dollars in millions]

Fiscal year	Servicemen's premiums	Government contribution	Interest	Total
1966	$52.5	$27.3	$0.4	$80.1
1967	80.2	70.1	2.0	152.3
1968	83.0	146.5	3.1	232.6
1969	83.1	111.7	3.2	198.0
Cumulative	298.8	355.6	8.7	663.1

The Bill

S. 1479 would increase the face value of servicemen's group life insurance from $10,000. A serviceman would automatically be insured for $15,000 unless he chose to be insured for $10,000 or $5,000 or not to be insured at all. The serviceman's monthly premium would be increased proportionately (to $3 at the present rate of $1 monthly per $5,000 of insurance).

Improvement of monthly benefits for the survivors of servicemen and extension of social security coverage to servicemen have provided substantial benefits for the widows and children of men killed on active duty. But there remains a need for an adequate benefit that can be paid in a lump sum. It can enable the surviving family to pay off a debt which would have been repaid had the servicemen survived. It helps with all the substantial expenses of the family, and it can help see a child through school. It can be used to meet the unusual expenses associated with the death of the principal wage earner.

Effective Date

The automatic increase from $10,000 to $15,000 will be effective as of the date of enactment of the bill.

Veterans' Administration Memorandum on Extra Hazard Cost of Servicemen's Group Life Insuarance

1. The law (38 U.S.C. 769(b)) provides that the cost of SGLI traceable to the extra hazard of active duty shall be borne by the Government. Such cost is determined by the Administrator on the basis of the excess mortality suffered by members and former members of the uniformed services insured under SGLI above that incurred by the male civilian population of the United States of the same age as the median age of members of the uniformed services (disregarding a fraction of a year) as shown by records of the uniformed services, the primary insurer, and the Department of Health, Education, and Welfare, together with the most current estimates of such mortality.

2. The median age of members of the uniformed services is 22.6 years. The most recent data available indicates that the mortality rate of the male civilian population of the United States age 22 is 2.06 per 1,000 per year. The premium rate for SGLI was fixed at $2 per month for $10,000 insurance to cover the cost of the civilian rate mortality and the cost of the administration of the program. The SGLI program was placed in effect September 29, 1965. During the first 3 full calendar years (1966, 1967, and 1968) of operations under the program the mortality rate of members of the uniformed services varied (according to the rate of combat losses) from 3.26 to 6.19 per 1,000, averaging 4.69 per 1,000 per year over the 3-year period. A premium charge of about $4.50 instead of $2 per month would have been required to cover such a loss rate and the administrative costs. Stated in other terms, the premium paid by the serviceman was actually sufficient to purchase only about $4,450 of insurance. From September 29, 1965, to June 30, 1969, the insureds paid $298,797,000 in premiums. During the same period the extra hazard contributions by the Government as required by law amounted to $353,034,000.

Thus, the Government's contributions to the extra hazards costs have been about 120 percent of the members' premiums.

VETERANS' ADMINISTRATION REPORT ON S. 1479

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., July 9, 1969.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further response to your requests for reports on S. 1479 and S. 1650, bills of the 91st Congress, which, if enacted, would increase the coverage authorized under the servicemen's group life insurance (SGLI) program.

Under eixsting law, all members of the uniformed services on active duty for 31 days or more are automatically insured under SGLI from the first day of active duty for the $10,000 maximum amount authorized under the program unless they elect in writing not to be insured or to be insured for only $5,000. The cost of the insurance is borne in part by the servicemen through deductions from their pay, and in part by the Government. The insurance is provided under a group life insurance policy purchased by the Administrator from a commercial insurer.

The Government bears the cost of SGLI traceable to the extra hazard of active duty under a formula set forth in the law, 38 U.S.C. 769(b). This extra hazard cost is determined by the Administrator and certified to the Secretary of the uniformed service concerned and the amount thereof is contributed from the pay appropriations of the uniformed services.

S. 1479

The purpose of S. 1479 is to amend the SGLI provisions of title 38, United States Code, to increase from $10,000 to $15,000 the maximum amount of insurance authorized thereunder for members of the uniformed services on active duty. All members on active duty and all members thereafter entering on active duty would be automatically insured for $15,000 unless they elect in writing (1) not to be insured, (2) to be insured for $10,000, or (3) to be insured for $5,000. Any member who elects not to be insured, or to be insured for $10,000 or $5,000 can thereafter be insured, or insured in the amount of $15,000 or $10,000, respectively, upon written application, proof of good health, and compliance with such other terms and conditions as may be prescribed by the Administrator.

S. 1479 provides that until or unless otherwise changed a SGLI beneficiary designation or settlement option filed by a member with his uniformed service prior to the date of enactment of the bill will be effective with respective to the increased SGLI authorized thereunder. The increased amount of coverage would be settled in the same proportion as the portion designated for such beneficiary, or beneficiaries, bore to the amount of SGLI in effect prior to the increase authorized under the bill.

If enacted, the extra hazard cost of S. 1479 to the Government will, of course, depend upon the level of strength of the uniformed services and the level of combat activity. Based on the experience from September 29, 1965, the inception of the SGLI program, to the end of March 1969, the present $10,000 maximum program has cost the Government on the average $90 million annually. Based on the total SGLI experience to the end of March 1969, S. 1479, if enacted, would cost the Government approximately $135 million annually or $45 million more than the present program.

S. 1650

The purpose of S. 1650 is to amend the SGLI provisions of title 38, United States Code, to provide double indemnity coverage against the death of any member resulting from an injury or disease incurred or aggravated, in line of duty, while such member is assigned to duty in a combat zone. The double indemnity coverage under the bill would also include any case in which the death of a member resulted from combat activities or the performance of extrahazardous duties while assigned to duty in a combat zone. The double indemnity coverage would continue in effect during any period a member is temporarily outside a combat zone to which he is assigned so long as such period does not exceed 35 days.

The bill specifically provides that no deduction for double indemnity coverage may be made from the base or other pay of a member except for a month or portion thereof he is assigned to duty in a combat zone. It also specifically provides that none of the costs attributable to the double indemnity coverage for members assigned to duty in a combat zone shall be paid by members not protected by the double indemnity.

Under the bill the term "combat zone" means any area designated by the President by Executive order as a combat zone for the purpose of section 12 of the Internal Revenue Code of 1954. The bill would be effective the first day of the second calendar month following the month of enactment.

The provisions of S. 1650 are not entirely clear. It is clear that the bill covers deaths which *occur in* a combat zone from any injury or disease incurred or aggravated in line of duty. Further, the bill purports to cover deaths of members resulting from combat activities or while performing extrahazardous duties and while temporarily outside the combat zone to which they are assigned, but it would appear that such coverage would cease after 35 consecutive days. It is unclear whether the bill covers the deaths of members resulting from injury or disease incurred or aggravated in line of duty in a combat zone but where the death occurs after reassignment to a noncombat zone.

The bill is discriminatory in that it would provide no coverage for persons other than those assigned to a combat zone, whereas a substantial number of servicemen die from injuries incurred while performing extrahazardous duties throughout the world in other than a "combat zone."

Based on the experience since the inception of the SGLI program to the end of March 1969, and on the assumption that all Vietnam members would be covered for $20,000, the extra hazard cost of S. 1650 to the Government would be $190 million annually or $100 million more than under the present program.

As the Veterans' Administration advised the Subcommittee on Veterans' Legislation of your committee at its recent hearings on this and other bills in the area of life insurance and S. 1471 proposing to increase payments of dependency and indemnity compensation, we are currently engaged in a study of the potential problem areas of the dependency and indemnity compensation program. This study, however, has not as yet reached the stage to permit us to furnish specific recommendations for revision of that program. In view of the fact that dependency and indemnity compensation is the major Veterans' Administration benefit provided for the serviceman's primary survivors—his widow, children, and dependent parents—we believe that the life insurance programs available to servicemen and veterans, involving benefits which are not provided solely for the primary survivors of those insured, should be carefully reviewed in the light of the conclusions which we hope to reach regarding improvements in the primary dependency and indemnity compensation program. Accordingly, the Veterans' Administration refrains, at this time, from making any specific recommendations with respect to S. 1479 and S. 1650 and the other pending insurance bills.

Advice has been received from the Bureau of the Budget that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely,

DONALD E. JOHNSON, *Administrator.*

CHANGES IN EXISTING LAW MADE BY THE BILL AS REPORTED

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 italic, existing law in which no change is proposed is shown in roman):

TITLE 38, UNITED STATES CODE

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Chapter 19.—INSURANCE

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Subchapter III.—Servicemen's Group Life Insurance

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§ 767. Persons insured; amount

(a) Any policy of insurance purchased by the Administrator under section 766 of this title shall automatically insure any member of the uniformed services on active duty against death in the amount of [$10,000] *$15,000* from the first day of such duty, or from the date [certified by the Administrator to the Secretary concerned as the date Servicemen's Group Life Insurance under this subchapter takes effect,] *of enactment of the Servicemen's Group Life Insurance Amendments Act of 1969,* whichever [date] is the later date, unless such member elects in writing (1) not to be insured under this subchapter, or (2) to be insured in the amount of *$10,000, or* $5,000.

(b) If any member elects not to be insured under this subchapter or to be insured in the amount of *$10,000 or* $5,000, he may thereafter be insured under this subchapter or insured in the amount of *$15,000 or* $10,000, under this subchapter, [as the case may be,] *respectively*, upon written application, proof of good health, and compliance with such other terms and conditions as may be prescribed by the Administrator.