

NATIONAL SERVICE LIFE INSURANCE BENEFITS

HEARING

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON FINANCE UNITED STATES SENATE

SEVENTY-SEVENTH CONGRESS

FIRST SESSION

ON

H. R. 6219

AN ACT TO EXTEND THE PROVISIONS OF SECTION 602 (A) OF
THE NATIONAL SERVICE LIFE INSURANCE ACT OF 1940 TO
PERSONNEL ON ACTIVE DUTY IN THE ARMY, NAVY,
MARINE CORPS, AND COAST GUARD

AND

S. 2136

A BILL TO GRANT AUTOMATIC NATIONAL SERVICE LIFE
INSURANCE BENEFITS TO DEPENDENTS OF RECENTLY
DECEASED MEMBERS OF THE ARMED SERVICES OF
THE UNITED STATES AND TO EXTEND THE
TIME LIMIT FOR FILING APPLICATION
FOR SAID INSURANCE

DECEMBER 16, 1941

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NATIONAL SERVICE LIFE INSURANCE BENEFITS

TUESDAY, DECEMBER 16, 1941

UNITED STATES SENATE,
SUBCOMMITTEE ON VETERANS' LEGISLATION
OF THE COMMITTEE ON FINANCE,
Washington, D.C.

The subcommittee met at 3:15 p. m., pursuant to call, in the Finance Committee room, 314 Senate Office Building, Senator Bennett Champ Clark (chairman of the subcommittee) presiding.

Senator CLARK. The committee will come to order.

The subcommittee has before it this afternoon H. R. 6219, which passed the House on yesterday, and also a bill, H. R. 6218, which has not passed the House, but which has been introduced in the Senate today and referred to the subcommittee in order that the bill might be given to the committee. This Senate bill has not been given a number as yet, and that will have to be supplied for the record later. (The bill became S. 2136).

(H. R. 6219 and S. 2136 are as follows:)

[H. R. 6219, 77th Cong., 1st sess.]

AN ACT To extend the provisions of section 602 (a) of the National Service Life Insurance Act of 1940 to personnel on active duty in the Army, Navy, Marine Corps, and Coast Guard

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That notwithstanding the limitation in section 602 (a) of the National Service Life Insurance Act of 1940 upon the time within which applications for national service life insurance may be made, personnel on active duty prior to the enactment of this Act, in the Army, Navy, Marine Corps, and Coast Guard, shall be granted insurance under such section without further medical examination if application therefor is filed within one hundred and twenty days after the date of enactment of this Act.

Passed the House of Representatives December 15, 1941.

Attest:

SOUTH TRIMBLE, Clerk.

[S. 2136, 77th Cong., 1st sess.]

A BILL To grant automatic National Service life insurance benefits to dependents of recently deceased members of the armed services of the United States and to extend the time limit for filing applications for said insurance.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Section 602 (d) of the National Service Life Insurance Act of 1940 is hereby amended to read as follows:

"(d) Any person who has been commissioned, or examined, accepted, and enrolled in the active service and is in such active service on the date of enactment of this amendatory Act shall be granted such insurance upon application therefor in writing (made within one hundred and twenty days after the date of enactment of this amendatory Act and before discharge or resignation from such active service), and upon payment of premiums without medical examina-

tion: *Provided*, That any person in the active service on or after October 17, 1941, who, while in such service and before the expiration of one hundred and twenty days from and after the date of this amendatory Act, dies or has died, without having applied for insurance in the amount of at least \$5,000, shall be deemed to have applied for and to have been granted insurance in the sum of \$5,000 payable in monthly installments of \$5 per \$1,000 insurance each to his wife from the time of his death and during her widowhood, or to his child, or dependent mother or father, if any, while they survive him: *Provided further*, That not more than two hundred and forty of such monthly installments shall be so paid: *Provided further*, That any person in the armed forces of the United States, who has, or may, become totally disabled while in active service in line of duty at any time during the period beginning October 17, 1941, and ending on the one hundred and twentieth day after the date of enactment of this amendatory Act will be considered to have paid premiums on not less than \$5,000 National Service life insurance up to the date of beginning of total disability and premiums thereon will be waived throughout the period of continuous total disability."

Senator CLARK. These two bills have to do with the extension of the provisions of section 602 (a) of the National Service Life Insurance Act of 1940 to personnel on active duty in the Army, Navy, Marine Corps, and Coast Guard.

The subcommittee will undertake to hold hearings and make a record this afternoon for the purpose of reporting to the full committee at a meeting in the morning.

The Veterans' Administration has not had the opportunity to report to this committee on either of these bills or an identical Senate bill. I understand that the Veterans' Administration did report to the Committee on Ways and Means of the House on H. R. 5863, a bill identical with H. R. 6219, except that the former does not include the Army within its provisions. A copy of that report will be inserted in the record at this point, with the explanation that while the Bureau of the Budget was unable to report to the Veterans' Administration as to whether the proposed legislation would be in accord with the program of the President, it advised that there would be no objection to the Veterans' Administration furnishing this report to the committee.

(The report referred to is as follows:)

REPORT OF VETERANS' ADMINISTRATION ON H. R. 5863 FORWARDED TO BUREAU OF BUDGET DECEMBER 11, 1941

Hon. R. L. DOUGHTON,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D. C.

MY DEAR MR. DOUGHTON: Further reference is made to your letter dated October 22, 1941, requesting a report on H. R. 5863 (77th Cong.), "a bill to extend the provisions of section 602 (a) of the National Service Life Insurance Act of 1940 to personnel on active duty in the Navy, Marine Corps, and Coast Guard," which provides:

"That notwithstanding the limitation in section 602 (a) of the National Service Life Insurance Act of 1940 upon the time within which applications for national service life insurance may be made, personnel on active duty prior to the enactment of this Act, in the Navy, Marine Corps, and Coast Guard, shall be granted insurance under such section without further medical examination if application therefor is filed within one hundred and twenty days after the date of enactment of this Act."

The purpose of the bill is to amend section 602 (a) of the National Service Life Insurance Act of 1940 by providing that notwithstanding the present limitations in that section as to the time within which application for national service life insurance may be made, personnel on active duty in the Navy, Marine Corps,

and Coast Guard shall be granted insurance without further medical examination if application therefor is filed within 120 days after enactment of the bill.

The bill does not extend the same privilege to personnel of the Army as would be provided for those in the Navy, Marine Corps, and Coast Guard. It is suggested that if the bill is to receive further consideration it should be amended to include those in active service in the Army.

The bill would authorize granting insurance, upon application, to those in the Navy, Marine Corps, and Coast Guard who were previously denied insurance because they were unable to meet the good-health requirements, as well as those who have acquired disability subsequent to the expiration of their original 120-day period of eligibility.

The proposed legislation would constitute a marked departure from the general principles of insurability underlying the granting of insurance as originally provided in section 602 (a), (b), (c), and (d) of the National Service Life Insurance Act of 1940. The extension of 120 days within which to apply for insurance without compliance with the good-health requirements would, in effect, be a gratuity to those who were not in good health. National service life insurance is based upon the assumption that persons to whom insurance is granted are in good health at the time of application. If applicants are seriously disabled, the premiums based on such assumption of good health represent but a small fraction of the cost of insurance protection extended to them, since in the latter cases the normal expected longevity is greatly reduced by reason of injury or disease. Those having the greatest disability will be certain to apply for the maximum amount of insurance, whereas many in good health may apply for a smaller amount of insurance or neglect to take any. Thus an adverse selection will result in expenditures which would deplete the national service life-insurance fund.

National service life insurance is operated upon the mutual plan for the benefit of all of the policyholders therein. The national service life-insurance fund is composed of the moneys paid in as premiums by the policyholders together with investment earnings thereon. All losses are paid from the fund. While section 607 of the National Service Life Insurance Act provides for the recoupment by the fund from the national service life-insurance appropriation of losses and waived premiums when death or total disability is traceable to the extra hazard of military or naval service, many of such losses occur to policyholders while in the service under circumstances wherein recoupment by the fund cannot be made and such losses consequently must be borne solely by the fund. In the latter type of case loss would, in effect, fall upon policyholders of national service life insurance. It is obviously inequitable to extend insurance protection at the expense of the fund to persons who do not pay premiums adequate to provide for the protection enjoyed.

National service life insurance was not intended to be a pure gratuity but rather to make available to those persons entering active military or naval service, who could meet the good-health conditions, an opportunity to carry insurance that they would be unable to obtain from commercial insurers because of the conditions which insurance companies might place upon insurance for those in or entering active service, especially in a time of national emergency.

If it is deemed necessary to afford further opportunity of applying for insurance to those in active military or naval service it is believed that such opportunity should be restricted to those who are in good health and are able to furnish evidence of that fact satisfactory to the Administrator of Veterans' Affairs. The Veterans' Administration recommends as an alternative that a substitute bill might be considered to authorize, in addition to the privilege of applying for insurance within 120 days after entry into active military or naval service, the privilege of applying thereafter while in such service if the applicant is shown by evidence satisfactory to the Administrator of Veterans' Affairs to be in good health. The Veterans' Administration will cooperate with the committee, if desired, in the preparation of a draft to meet this proposal.

The cost of the bill, if enacted, will depend upon several factors which cannot be determined in advance. Accordingly, it is not possible to furnish any estimate of the cost.

In view of the foregoing, the Veterans' Administration is unable to recommend favorable consideration of the bill.

Very truly yours,

FRANK T. HINES, *Administrator*.

Senator CLARK. We will first hear from the Veterans' Administration on these bills, H. R. 6219 and H. R. 6218—identical Senate bill 2136. Mr. Odom, we would like to hear your statement.

Mr. EDWARD E. ODOM. My name is Edward E. Odum, and I am solicitor for the Veterans' Administration.

I should like to ask, Mr. Chairman—of course I will be here at the disposal of the chairman and the committee and will attempt to answer any of their legal questions that may come up in connection with the bills—but Mr. Breining, Assistant Administrator of the Veterans' Bureau who is in charge of the insurance work, is here and I will ask him to explain the principles involved in connection with these two bills, if that meets with your approval.

Senator CLARK. That will be very satisfactory.

STATEMENT OF HAROLD W. BREINING, ASSISTANT ADMINISTRATOR, FINANCE AND INSURANCE, VETERANS' ADMINISTRATION

Mr. BREINING. My name is Harold W. Breining; I am Assistant Administrator, Veterans' Administration.

The purpose of these bills, as I read them, is to provide each man in the military and naval service with 120 days to secure insurance without medical examination. These men already have had at least 120 days to secure this insurance without medical examination, and all those who come in, in the future, will have 120 days to secure this insurance under the present law, and those who are in the service and whose 120 days have only been partially consumed will have the remainder of that 120 days to take this insurance without medical examination.

Some of the men who have had special privileges, that have been given by the act of August 18, 1941, Public, 213, Seventy-seventh Congress, had as much as 240 days without medical examination in which to secure this insurance. Those men who were in the service prior to the act of October 8, 1940, in addition to their initial 120 days in which to secure the insurance without medical examination, had an additional 120 days to secure it with medical examination.

There are several phases of this act that I believe you will wish to examine. The first one is, whether or not you wish to depart from the original purpose of the Government granting the insurance. The object of the Government granting the insurance was not to provide any additional gratuity, but rather, to restore to the men who were in the military and naval services, or who were entering them, an insurability which was lost to them because of the coverage which could be secured from commercial insurers, the insurers requiring the payment of what might be said to be premiums which would be out of the range of the ordinary man. Some of them estimated the premiums which run as much as \$250 a thousand, which of course the ordinary man receiving military pay, even though he be of higher officer rank, could not pay.

Now, this will give every man the 120 days without medical examination and thus will cause what insurance men call the worst kind of adverse selection because the men who would likely apply, in the great preponderance, would probably be men who were suffering from some disability, maybe not the result of military service, it might be the result of their own actions and it might be the result of something that was entirely foreign to the military service, and that would be providing these men with an out and out gratuity, because these premiums not only will not cover the war risk, but

are designed to cover the peacetime risk and are at peacetime rates, rather than otherwise.

Senator CLARK. Those men were all insurable risks when they entered the services, and except for the matters which you have mentioned, of men in the military and naval service being rated on insurance premiums outside, they all took a physical examination to get in, did they not?

Mr. BREINING. Most of them, I would say, were insurable risks—generally speaking they were insurable risks—but, of course, there were some men who were permitted to enter military service who were receiving permanent and total disability benefits under the Government life-insurance policies—they were permitted to enter the military service, but that however is the exceptional case, and I think, and generally speaking, what the Senator has said could be taken to be true. The 120 days given them was something arrived at in 1917, after much consideration in regard to 30 days, 60 days, 90 days, and 120 days, and I think, to some extent, that was then considered desirable because of the many men being overseas and the time it would take to explain before the provisions of the law could be explained to them, but was on the assumption, in any event, that the good health would carry on over that 120 days, and in this case it would carry over 120 days but would include possibly men who had been examined several months ago, and possibly some who had been examined several years ago; and, as I said, it would provide what, in substance, would be a gratuity.

Now, the question arises as to whether insurance is the best vehicle through which to provide gratuities, for this reason: Gratuities, generally, are based upon the premise that those in need are the ones who at least should get as much as anybody else and probably the most, insofar as gratuities are concerned, whereas, if you distribute the gratuities by means of insurance, it is likely that those who are in the best circumstances will get the greatest gratuity, because they are in better position to carry larger policies, larger premiums, and get larger amounts of insurance, whereas the man who may have family obligations which he does not think permit him to pay the insurance premium is denied these benefits, so that it works adversely to the general conception of how gratuities should be distributed.

Then, too, this is a mutual fund, and the men who came into it on the good-health basis have an equity in this fund, and to grant insurance to men who are not in good health means that that will be a drain upon the men who are entering in good health, on a good-health basis, because the Government only provides for reimbursing the fund only when the losses are due to the extra hazards of military and naval service.

Thirdly, this would be a departure because, during the World War, the men only got 120 days from the date of their entrance, and that was only changed for those men who came in on October 6, or within 60 days thereafter.

Senator CLARK. You did not set up that system there, though, until after we were in the war, before, did you?

Mr. BREINING. The system was not set up until the war had been going on for 6 months.

Senator CLARK. And that stands for essentially the difference between that situation and this, because when the system was set up before, everybody knew that they were in the war and had 120 days in which to take advantage of it, and in this case they were not at war at the time the system was set up and therefore it seems to be only fair to have the extension after we get into the war.

Mr. BREINING. If the insurance is to be used as a pure gratuity, then consideration should be given to whether or not this is the best means to distribute those amounts which you want to give, in addition to the compensation and other benefits which are otherwise provided for them.

Senator CLARK. Well, this is another 120 days and is no more a gratuity than the original 120 days was, except as to the number of days.

Mr. BREINING. I think it is, Senator, for this reason: That within the original 120 days, at least, there was a general presumption that the man would be in good, insurable health, where, of course, that would not obtain at the present time. The man may not have been examined for a number of months, or even years, and such a man could not be presumed to be in good health; and, as I say, there is not only the problem of disability due to service, but it includes men who had disabilities in no way related to the services.

If this bill was amended simply by requiring that these men be given a physical examination before applying for the insurance, that is, to make them show eligibility for insurance from a good health standpoint, they would have to show that they were physically insurable, and in that case the objections I have just stated would not obtain at all.

In other words, if the men who were not presumed to be in good health, but were given a physical examination, and the application was based upon their being insurable risks, I think all the objections I have stated to it would not be of great force.

That is the big thing, letting men in without the showing of insurability, or even that 120-day presumption of insurability which we have always adhered to in connection with men when they first enter active service.

As a matter of fact, I think we could even provide, if you want to be a little more liberal, that, regardless of the 120 days, you might say to any man, when he is in the service, upon a showing that he was insurable, he would be eligible for securing this insurance.

Senator CLARK. Have you any questions, Senator George?

Senator GEORGE. I have none.

Senator CLARK. Thank you, Mr. Breining.

Commander Reynolds.

STATEMENT OF COMMANDER JOHN L. REYNOLDS, UNITED STATES NAVY, BUREAU OF NAVIGATION, NAVY DEPARTMENT

Senator CLARK. You are familiar with the two bills before the committee, are you not, Commander?

Commander REYNOLDS. Yes, sir. As the committee understands, the Navy Department has had no opportunity to clear through the Bureau of the Budget, but we are, however, prepared to state our experience under the National Service Life Insurance Act of 1940.

Senator CLARK. I will be glad to have you do that, Commander, if you will allow Mr. Odom to clarify a statement he made this morning, that the report of the Veterans' Bureau—he stated verbally that the report of the Veterans' Bureau had been stated to the Bureau of the Budget but had not yet cleared.

Mr. ODOM. The Administrator of Veterans' Affairs, I assume, like the War and Navy Departments, had no opportunity to report on either one of these particular bills, but there was a bill introduced in the House of Representatives by Congressman Izac, of California, H. R. 5563, and we were asked to report on it. The Administrator had a tentative or proposed report on either one or both of the bills pending before the Director of the Bureau of the Budget recommending approval of the bill if it were amended so as to include the Army—it did not include the Army—and if it were amended further, so as to provide that any member of the armed forces, naming them, might at any time while in the service apply for insurance under the National Service Life Insurance Act of 1940 upon the payment of a premium and, of course, a showing of good health satisfactory to the Administrator—he would then be permitted to make application under those conditions. The report on H. R. 5563 has been made a part of this record.

The reason, or the background, of that recommendation was that in connection with the bill which was passed by the Senate yesterday, having been passed by the House last week, giving the wartime rates of compensation—that is, World War rates of compensation—to the men of the present forces, was the result of a study made by representatives of the Veterans' Administration, the War and Navy Departments, the Coast Guard, and in those discussions it was pretty generally agreed, although without committing any one of the departments, that it would be a desirable and sound thing to permit any member of the forces, at any time he wanted, to apply for governmental insurance, but upon the showing of being a good risk, and it was upon that basis that the Administrator made his recommendation.

I may say that in the face of the possibility of the committee's wanting to consider some such amendment to the bills, I will be glad to give them to the committee if they desire.

Senator CLARK. The committee will be glad to have them.

Commander, pardon this interruption; will you now proceed.

Commander REYNOLDS. Yes, sir.

We have been considering, for some time, an effort to obtain some corrective action on the National Service Life Insurance Act because of our experience, particularly in the last few months. For example, we have had numerous cases of men who are at sea, particularly in the Atlantic, requesting that they be assigned to shore duty because of the fact that they could not obtain national service life insurance, and they could not obtain that insurance because they could not submit what is known in the law as evidence of good health satisfactory to the Veterans' Administration.

We understand perfectly that we conduct a physical examination of a man for a certain purpose. The Veterans' Administration may conduct an examination of a man for another purpose. Nevertheless, that man is running that risk, definitely, regardless of what kind of an examination he has taken—he has been accepted for service in the Navy.

Senator LA FOLLETTE. Commander how could there be any more strict examination than you have given, up to this time? I know many have come in to see me who wanted to get into the Navy and were turned down, and, from the number that have come to see me, it seems that you must be doing a pretty good job, as they come to me, some of them complaining that they were short one tooth or something of that kind.

Do you not think that you really give them a good going over before you take them in, seriously?

Commander REYNOLDS. Seriously, sir, we do, but at the same time—

Senator LA FOLLETTE. Is it not a more rigid examination than the ordinary insurance examination?

Commander REYNOLDS. Sometimes, sir; but here is one important difference, and that is most of the cases of complaints we have had have been from men to whom we had a prior obligation, so to speak, in other words, a reenlistment.

Let us take a specific case:

A given man was in the service on October 8, 1940. He was serving on, we will say, his second enlistment and had already been 120 days on that enlistment. During his first enlistment he had contracted syphilis. When or how or where is beside the point, but it showed on his record, and that necessarily showed on the insurance form which he had to fill out, and the Veterans' Administration has repeatedly held that any man who shows a history of syphilis is not a good insurance risk.

I have no question about that, but merely, in due course, say that that is a matter of record.

Other cases which deal with other illnesses or ailments other than syphilis may be found, likewise, in the record, so that you can very readily understand that we have a problem for some months on our hands because of the restrictions in the National Service Life Insurance Act.

Senator LA FOLLETTE. That problem is now intensified, is it not?

Commander REYNOLDS. Definitely, sir.

Senator LA FOLLETTE. You cannot very well bring them back to the Veterans' Bureau for an examination in order that they may get the insurance.

Commander REYNOLDS. You mean, can we give a reexamination?

Senator LA FOLLETTE. As I understood it, the Veterans' Bureau wanted to make an examination.

Commander REYNOLDS. That is not necessarily true; that has not been required, as yet; the Veterans' Administration has always been perfectly willing to accept—

Senator LA FOLLETTE. Accept the report of the findings?

Commander REYNOLDS. Of our Navy medical officers, but the Navy medical officers are very punctillious in reporting all the facts, and therefore the Veterans' Administration has, I presume, felt that it was perfectly safe in its own interests in accepting one of the Navy medical officers' reports, and, so far as I know, the action has been based purely on that report. We have no question about that; no question at all.

Now, the problem is intensified, because heretofore the disturbance in the minds of the men has been primarily in the Atlantic service,

as you can well understand, in the last few months, because that is where most of the danger has been, but now you cannot limit it to any one particular point.

I would like to comment on a couple of points that Mr. Breining brought out; and one is, the Navy did not have the privilege of the second 120 days; that applied only to the selectees, so-called, the men inducted under the Selective Service Act.

Senator GEORGE. It applied to the National Guard under the Selective Service Act, as I understand it, but not to the Navy.

Commander REYNOLDS. No, sir; not to the Navy.

Senator GEORGE. That is correct.

Commander REYNOLDS. Also, we do not look on this insurance in the Navy Department as a gratuity, in any form. It is something which compensates the man for the risk which he is taking, and his dependents, so to speak—and a gratuity is something entirely different, as we see it.

I do not want to start an argument, but I simply bring that point up.

I believe that I have given you the background, so far as the Navy Department has it, on H. R. 6219. Is there any question about 6218?

Senator CLARK. The difference between 6219 and 6218 is, while they are essentially the same, 6218 also makes automatic benefits for men who are in active service, or who were in active service on October 17, 1941. That will include the men who were killed or injured on the *Reuben James*, or the *Kearney*, or anybody else in the same category, and on the same principle that the original War Insurance Act of 1917 was made retroactive, not to the date of the actual declaration of war, but also to include casualties—I believe it was the *Cyclops*, that incident which happened prior to the declaration of war; and 6218 follows the same theory as that, with the essential difference in the two bills being that one makes for automatic benefits for men heretofore injured in the service since October 17, 1941.

Commander REYNOLDS. Regardless of whether or not they applied for insurance?

Senator CLARK. Just the same as 6219, except that it is retroactive to cover the men heretofore injured.

Commander REYNOLDS. Now, another thing we find in connection with the 120 days—this has nothing to do with the bill, but it has come up here in previous testimony—you know the average age of enlistment in the Navy is 19. Boys who come in at 19 are very young; a boy of that age is hardly able to decide, in his own mind, what is best for him, and he has never heard, the probability may be, of insurance before, and they do not know, in that first 120 days, how to definitely make up their minds.

In the Navy, at present, the first 42 days are spent at a training station such as at Norfolk or on the Great Lakes or at Newport or San Diego, and while he is there, he is in an environment totally new to him. He cannot psychologically be considered to be capable of making a decision which might affect his whole life, practically.

He then goes to sea and is thrown into further mental disturbance by that change in environment and, in other words, his first 120 days in the service is practically a term of mental turmoil and it is very difficult for him to make decisions of such importance as is life insurance.

We have thrown every safeguard around that situation that we could possibly do and, when the National Service Life Insurance Act was first enacted, I worked with the Bureau of Supplies and Accounts, and we raked up our experience in years past on Government insurance, and we tried to cover every possible difficulty which might arise in getting this thing across to the men. In doing that, we went so far as to require that each man have entered in his service record, within the 120 days, a statement either to the effect that he has national service life insurance, or a statement that it has been explained to him and he does not desire to take it out, because of the fact that we receive letters from parents of boys who state that their boys do not have insurance and did not have an opportunity to take it. The Navy thus must have some way of showing that we did make definite effort to apprise the boys of the circumstances in order that they might have the privilege.

In other words, I might suggest that even though the bill, this bill, is now passed, that those extremely young men who come into the service and are allowed just another 120 days, are still going to have—we are still going to have difficulty with them because some of those are not going to be able to arrive at sound reasoning the same as older men. At the same time, I understand that you cannot go along forever, extending the privilege of insurance without examination, and I believe Mr. Breining also pointed out that a man who had been in the service for a couple of years, and has not had a physical examination, might be a very poor insurance risk, but if it could be provided that he could obtain insurance after the 120 days, by being subjected to a physical examination, that would go a long way toward overcoming the difficulties.

Senator CLARK. You mean, give him another 120 days without examination, and then, at the end of whatever period might be fixed upon, at the end of that period provide that in the future, without putting any limitation as to the time, that he could have the insurance upon showing insurability?

Commander REYNOLDS. That is correct. Then we could take care of all of the Navy men who have been in the service, say, for two, three, or four enlistments, and then also those Reserves that have been called back, or others ordered back to active duty, who are put in a dangerous position, and who may not be able to get insurance; they would be taken care of.

The technical feature of the risk is something on which the Navy Department, of course, has no opinion.

Senator CLARK. The question of morale is involved, and the Navy has a great opinion on that point, has it not?

Commander REYNOLDS. That is correct, and that is one reason why we are so anxious to see this corrected, and that is the very reason I cited our experience in the case of boys in the Atlantic who wanted to get on shore duty because, without insurance, their families would be left unprotected, and it was not a question of getting out of the Navy, they were perfectly willing to do their bit, but they would like to be at least in a position to get such benefits out of the insurance as they possibly could, to take care of such situations as that of the *Reuben James*.

Senator CLARK. Have you any questions, Senator George?

Senator GEORGE. No; thank you.

Senator CLARK. Have you any questions, Senator La Follette?

Senator LA FOLLETTE. No.

Senator CLARK. Have you any questions, Senator Walsh?

Senator WALSH. No.

Senator CLARK. And you, Senator Danaher?

Senator DANAHER. No questions, thank you.

Senator CLARK. Thank you very much, Commander.

Major Carpenter, will you come forward and give you name to the reporter?

Major CARPENTER. W. E. Carpenter, United States Army, War Department.

STATEMENT OF MAJ. W. E. CARPENTER, UNITED STATES ARMY, WAR DEPARTMENT

Senator CLARK. You are familiar with the two bills under consideration, are you not, Major?

Major CARPENTER. I am familiar, sir, with H. R. 6219, and I listened to what you said about 6218; and, as far as 6219 is concerned, the War Department favors the enactment of that bill. The principal effect that it will have on the Army is to give a great many people now in the service who did not take advantage of the act as it previously was passed, the advantage of getting insurance now, or give them another 120 days, and of course the Army will be glad to have that.

Senator CLARK. The fact that a state of war now exists and did not before, does that make a difference in the desire of the men to take out insurance now?

Major CARPENTER. That makes a tremendous difference, sir.

Senator CLARK. That seems to be a point of analogy drawn here as to persons in the last war, and their insurance relations, and is at variance with that practice, and I do not think it is a good analogy in that the War Risk Act was never passed in the last war until after the declaration, and the time limitation was much more flexible in those days than under the present bill.

Proceed.

Major CARPENTER. I am sure that a great many people will take advantage of the opportunity now who previously passed up such opportunity.

Senator GEORGE. Major, could you give us any idea as to about how many selectees have taken advantage of the opportunity to secure this insurance?

Major CARPENTER. No, sir; I had no opportunity to get those figures to present here, when I was told to appear.

Senator GEORGE. Mr. Breining, I wonder if you could give us those figures.

Mr. BREINING. Approximately 750,000 from the Army and Navy have applied for national life insurance policies.

Senator GEORGE. Seven hundred and fifty thousand?

Mr. BREINING. Yes, sir.

Senator GEORGE. All right.

Mr. BREINING. And about 155,000 men in the service now carry, in addition, United States Government life insurance, so that it is safe

to say that over 900,000 of the armed forces are now insured under one or the other system.

Major CARPENTER. That is all I have to say on H. R. 6219 for the War Department.

Senator CLARK. Gentlemen, have you any questions to ask?

Senator DANAHER. If it please the chairman, I have one or two questions.

With reference to the National Service Life Insurance Act, as contained in the 1940 compilation, here were men who had been inducted into the service over the past months, and were they advised of their right and opportunity to qualify for this insurance?

Major CARPENTER. Yes, sir; they were.

Senator DANAHER. Has there been any intensive effort to procure an enrollment of all inductees into insurance coverage?

Major CARPENTER. To the best of my knowledge, there has; and I might say, of my own personal knowledge, I know that in taking the men into the service, as they come into the camps and are processed, particularly the selectees, they were given an opportunity to take out insurance. In one case, that I remember distinctly, I have some personal knowledge of an effort at Fort Leavenworth, Kans., where they went through a list and selected former insurance salesmen who would be more adept at getting information from selectees and getting it on paper and helping them pick out the right answers and explaining national service life insurance, and I think that has been followed, that practice, in every camp.

Senator CLARK. What the commander said a moment ago, about the difference in supplying insurance to young fellows being inducted in the Navy, would apply just as well to the Army would it not?

Major CARPENTER. Yes, sir; it would.

Senator CLARK. And there have been definite instructions given to explain to the boys the benefits and their opportunities and to get them to apply for insurance?

Major CARPENTER. Yes, sir.

Senator DANAHER. Has the percentage of those enlisted in the Regular Army, for example, who took out insurance been higher or lower, in your general experience, than that of inductees?

Major CARPENTER. I do not believe I can answer that question, Senator.

Senator DANAHER. I was wondering if there was a test, or standard of attitude, as to what attitude prevailed in the Regular Army, among the Regular Army men.

Major CARPENTER. I think, undoubtedly, those figures are available, but I do not have them. I can only guess at the answer and I do not think the guess would be worth very much.

Senator DANAHER. What would be your guess?

Major CARPENTER. I would think these young men who are coming into the service now, by and large, would be more apt to take out insurance than the Regular soldiers.

Senator DANAHER. That coincides with my opinion, but someone does have the figures on that.

Mr. DDOM. Mr. Breining may have some figures.

Mr. BREINING. There is an estimate that we made before the National Service Life Act, and that was that about 40 percent of the

men in the Regular service carried insurance, and our estimate is that about 60 percent of the men under selective service carry insurance.

Senator DANAHY. That is what I wanted to know; thank you.

Senator CLARK. Thank you very much, Major.

Mr. Ketchum, would you come forward and give your name and official connection to the reporter?

STATEMENT OF OMAR B. KETCHUM, VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. KETCHUM. My name is Omar B. Ketchum, and I represent the Veterans of Foreign Wars of the United States and appear here today, Senator, and members of the committee, for that organization and was glad to note the statement of the chairman of this subcommittee to the effect that he had presented to the Senate a bill which we had caused to be introduced in the House as H. R. 6218.

The purpose of my appearance here this afternoon is not to object to H. R. 6219, but rather to call the attention of the subcommittee to the desirability of accepting the provisions of the new bill which Senator Clark has introduced in the Senate, and which has not as yet been given a number, in lieu of H. R. 6219. We believe that this new bill—and I will refer to it by its House number, H. R. 6218—covers all of the provisions in 6219, and in addition to that continues with the precedent that was established during the World War, when Congress passed the War Risk Insurance Act in October 1917, and made it retroactive for automatic benefits not only to the official date of the declaration of war, but also covering casualties prior to the declaration of war, and so, as representatives of the Veterans of Foreign Wars, we believe that as long as attention is being given to the insurance problem, everything should be incorporated into one bill rather than piecemeal legislation. I am sure there is no thought in the present Congress to give less consideration to the dependents of these men who lost their lives on the *Kearney* and in the sinking of the *Reuben James* than was given back in 1917, when Congress made provisions for automatic benefits to dependents of those men who had died previous to the passage of the War Risk Insurance Act, and for that reason I am calling these matters to the attention of the committee and asking that either prior consideration be given to the bill introduced by Senator Clark or that 6219 be amended to include the automatic-benefits provision. At this time I want to agree with some of the statements made here in previous testimony to the effect that many of these men who have been in the service for some time and who did not take advantage of life insurance felt it was peacetime service, and some of them honestly believed that they would not be in the service for more than a year. So there is every reason to give consideration to helping these men now that the entire picture has been changed due to the declaration of war. I am sure we all can agree there has been a drastic change in the thought structure of the American people since December 7, and this most certainly alters the circumstances.

I believe, although we may say that this insurance is not a gratuity, we recognize that Government life insurance ought to be made available to the men in the armed services because they might not obtain life insurance elsewhere. I think it is unfair to say

that a man is not a good risk for insurance when we accept his services in line of duty in the hazards of war. That is why our organization feels that it is important, not only that all now in the armed services be given the privilege of taking out this life insurance without an additional medical examination, but also making benefits automatic to dependents of those who have died since October 17 by reason of the attacks, as I said, on the *Kearny* and the *Reuben James*.

If we are to continue with the precedent and traditions already established by the Government of the United States, I think, Mr. Chairman, H. R. 6219 should be amended or substituted as I have suggested.

In closing, may I again point out the desirability of incorporating the provisions of 6218 in 6219, or of approving 6218 in preference to the other.

Senator CLARK. Senator George, are there any questions?

Senator GEORGE. No questions.

Senator CLARK. Senator Walsh, do you have any questions?

Senator WALSH. No.

Senator CLARK. Senator La Follette, do you have any questions?

Senator LA FOLLETTE. No.

Senator CLARK. Senator Danaher, do you have any questions?

Senator DANAHER. If the Chairman please, if you will bear with me, I am new on this subcommittee and it is all very interesting to me.

Now, Mr. Ketchum, why did you fix on the date of October 17, 1941?

Mr. KETCHUM. Because that was the date on which the *Kearny* was attacked. In other words, that was the first evidence of armed conflict in which members of the armed services had been engaged.

Senator DANAHER. Another thing, sir, there is a difference, without making any decision on that point as a matter of principle, between our situation now, in making the bill retroactive, and what happened in 1917, in that this national service life-insurance plan has been on the books for some substantial period during which all of the men could have had access to life insurance, is that not so?

Mr. KETCHUM. Possibly that is true, Senator, but on the other hand, the 1917 bill was made retroactive over a period of more than 6 months, and this is being made retroactive only for 2 months.

Senator DANAHER. But the point is that nobody had any experience or had an explanation back in 1917, where it was dated back from October to April.

Mr. KETCHUM. That is correct, that there had been no prior war-risk insurance.

Senator DANAHER. And no prior opportunity for soldiers to avail themselves of, or to get, such insurance.

Mr. KETCHUM. That is probably correct, according to my understanding; I am not positive, but I believe that is right.

Senator DANAHER. And do you not think that there is a difference in principle between the event now, and 24 years ago—right there? Tell me, if you will, if you happen to know, why the American Experience Table of Mortality is used—if that is technical and you had rather not answer, pass the question and I will find someone else to answer it.

Mr. KETCHUM. What was that, sir?

Senator DANAHY. It says that the premiums shall be net, based upon the American Experience Table of Mortality.

Mr. KETCHUM. That is in the original Insurance Act, and I do not know the answer.

Senator DANAHY. If you had rather pass the question—

Senator CLARK. That comes under the Veterans' Bureau and it might be that Mr. Breining can answer the question.

Mr. BREINING. The American Experience Table of Mortality is used because it was a table generally accepted by all of the States as the basis for figuring all of their figures. There is a later table called the Amended Table of Mortality, which is somewhat more accurate than the so-called American Experience Table, but the American Experience Table has been accepted and has been required to be used by most of the States of the Union and therefore was authorized under the act.

Senator DANAHY. Is it correct to say that in light of present standards that the American Experience Table would lead to the charging of a larger premium payment by the men?

Mr. BREINING. That is true, under the old table, but this is a mutual insurance, and any excess premium paid by the insured, under this mortality table, is returned to the man if the experience is more favorable than the mortality shown in the table. Of course the amended table is more accurate, but the American Experience Table has been accepted and used, even though the amended table is followed up to the age of 49.

Senator DANAHY. I was thinking of the effect upon the soldier, more than anything else.

Mr. BREINING. Well, that is the reason for it; that it is generally accepted.

Senator DANAHY. Thank you very much.

Senator CLARK. Thank you, Mr. Ketchum.

Mr. Sullivan, will you give your name and whom you represent?

STATEMENT OF FRANCIS M. SULLIVAN, ACTING DIRECTOR, NATIONAL LEGISLATIVE COMMITTEE, AMERICAN LEGION

Mr. SULLIVAN. My name is Francis M. Sullivan; I am acting director of the national legislative committee of the American Legion.

At our request, Representative Rankin, of Mississippi, introduced H. R. 6219, and a hearing was held by the House Ways and Means Committee, and it was reported out and passed by the House. I want to emphasize that the bill does not benefit any of our members. It was called to our attention last week that at midnight, today, the coverage for men now in the service under the National Service Life Insurance Act would expire, and we felt, with the changed conditions—

Senator CLARK. The coverage has not had a chance to expire yet; is that not correct?

Mr. SULLIVAN. Yes, sir.

Senator CLARK. And if it expired, is it not so that a covering act could be passed and made retroactive, just as if the act is passed—it may be made retroactive?

Mr. SULLIVAN. I was going to add, Senator, we have no pride of sponsorship in 6219, and if the subcommittee feels that the extended

coverage under 6218 is more desirable, we think that would be very satisfactory.

Now, Mr. Brown and I are here and we will be glad to try to answer any questions you might have.

Senator CLARK. Senator George, have you any questions?

Senator GEORGE. No.

Senator CLARK. Senator Walsh, do you have any?

Senator WALSH. No.

Senator CLARK. Senator La Follette, do you have any questions?

Senator LA FOLLETTE. No.

Senator CLARK. Senator Danaher?

Senator DANAHER. Again, it is technical and does not apply to this gentleman, but it is going through the Veterans' Administration, and I would like to ask a question on that basis, if I may.

Senator CLARK. Certainly.

Senator DANAHER. I am thinking in terms of that 6218, sir, and I am thinking if we date it back the bill will lose some of the features now included in it, some of the features involved in 6219, and from now on. I am wondering whether or not the insurance fund which is, as was just said, mutual, can in some way be prorated. Suppose, for example, that the total possible available benefit on account of the death of a soldier or a sailor were to be \$10,000. Can we, without losing any further benefits, at least, no more than if we took 6218, make the figure \$3,000 for all those who did have the opportunity to apply and did do so?

Mr. BREINING. As I understand it, the bill really gives \$5,000 in insurance.

Senator DANAHER. I am taking a hypothetical case.

Mr. BREINING. Of course the only cases that would be covered by that bill, making it retroactive, would be the men who have been in the service over 120 days and who would apply, say, today or tomorrow, and before the bill was passed and therefore would not come within the provisions of the law if the amendment were not passed, but as I understand the bill as it now is, it would take that into consideration, since any man could apply, within the 120 days from the passage of the bill, and you would just have a 1 or 2 days' hiatus there, and that would be the only object of making the bill retroactive.

Of course, every man in the service now who has not had 120 days will have that 120 days.

Senator CLARK. The purpose of that retroactive feature is to take care of those who were killed or wounded on the *Reuben James* and the *Kearny*.

Mr. BREINING. There is no—

Senator CLARK. That is a relatively small number of people.

Mr. BREINING. There is no stoppage of right that the men have on December 16; the only thing that happens on December 16 is the expiration of the privilege that was given them by the act of August 17, 1941, of having an additional 120 days given those kept in the service involuntarily.

Senator CLARK. I understand that, but that provision is made simply for the purpose of taking care of the men killed or wounded on the *Reuben James* and the *Kearny* prior to the actual declaration of war.

Senator DANAHY. Let us take two men, both on the *Reuben James*, as an example, one of whom did take out insurance, as he had a perfect right to, and was one of the 40 percent that you referred to, and the other was the second man who never took out any insurance. Now, if you make that retroactive, back to that time, whether he did or did not, as I understand 6218, what effect does that have on the terms of insurance, on your fund, if we make payments to both?

Mr. BREINING. I think that there would have to be some provision made in the law for the Government to reimburse the fund for any losses of that character.

Now, the present law does provide for any losses occasioned by the extra hazards of military service, so the men who were lost on the *Kearny* or the *Reuben James*, and were insured—their cases would be taken care of, but the man who is dead because of some cause not the direct result of performing a duty peculiar to the military or naval service and had insurance, his case would not be taken care of, under this bill, then there would be a great drain on that fund and, if the bill is passed, I think it should be amended to cover that situation, in fairness to the other policyholders.

Senator DANAHY. If we do date it back and give that insurance coverage back to the time of those incidents, then it is also up to us to make an appropriation to the fund to make up the loss represented by each such individual who had not been insured; is that not so?

Mr. BREINING. That is true; yes. It is not insurance; you may call it insurance, but it is in substance a gratuity, but insurance comprehends getting together a group of men, each making a pro-rata contribution to a whole fund from which payment of all losses can be made, and that is not happening in this case. The big amount will be paid by the Government, and that is a pure gratuity and not insurance. When you use the word "gratuity," I mean a gratuity similar to the payment of a pension, or something in that line. During the World War, where we had a comparatively favorable mortality rate, the Government contributed \$1,800,000,000 against \$454,000,000 paid by the men in the form of premiums, so, the Government paid \$4 to the men's \$1; in other words, the men only paid 20 percent of what the risk should have cost in the way of a premium.

Senator DANAHY. Even though that be true, we can call it insurance and make it presumptive, and would include the men who were not covered, through their own fault or otherwise, so long as we make up the equivalent to that fund.

Mr. BREINING. Yes; it would not be detrimental to the others, except insofar as one man might have carried his insurance and paid premiums and the other man did not carry his insurance and, as a matter of fact, may have surrendered his insurance and gotten his money out, or let it lapse. I mean, you will always have some inconsistencies because one may have deprived himself even of some of the necessities of life, certainly of the luxuries, in order to pay for his insurance, and that is what happened with some on the *Reuben James*, and then some of the others may have surrendered their insurance policies and had their reserve paid out to them, and he would receive the same coverage as the man who continued to pay, unless there were an additional authorization to cover that.

Senator DANAHY. Thank you.

Senator CLARK. Are there any other questions of Mr. Sullivan?

Mr. ODOM. Mr. Chairman, could I supplement a former statement?

Senator CLARK. Yes.

Thank you, Mr. Sullivan.

STATEMENT OF EDWARD E. ODOM, SOLICITOR, VETERANS' ADMINISTRATION

Mr. ODOM. I call the committee's attention to the fact that this bill, H. R. 6218, would grant \$5,000 to anyone who had taken no insurance or who had applied for less than \$5,000, and, unfortunately—I think it would be unfortunate—a man who had, we will say, applied for less than \$5,000 would name maybe his mother or his wife, or his widow, or his father or child, within the permitted class of beneficiaries, whereas, for this additional \$5,000, there might be another beneficiary, possibly. There would be a technicality there, and some very awkward situations might arise.

This matter would require, I think, great study, and I think we would like time to report on this bill. There is another technical point, and that is the second proviso, and that applies to those totally disabled on or after October 17, and within 120 days from the passage of this act; he would have premiums waived.

That is utterly unnecessary in 6218 or 6219, because it is already covered; in other words, a man in the service who is permanently and totally disabled may still apply for his insurance under this bill and his premiums will be waived, so that would cover that situation. I will correct that—under present law premiums are waived after 26 months' total disability.

Senator CLARK. You mean the proviso there—

Mr. ODOM. In line 15, eliminating the proviso would cure the matter, if the bill were passed.

It will be covered from 6 months afterward under the present law, instead of from the date of application as in the bill.

Senator CLARK. Now, is there anybody else present who wishes to be heard on these two bills?

(No response.)

Senator CLARK. If not, the committee will go into executive session.

(Whereupon, at 4:05 p. m., the committee proceeded in executive session.)