

## RAISING AGE LIMIT TO 65 FOR TOTAL DISABILITY INCOME PROVISION ON NSLI POLICIES

JUNE 25, 1964.—Ordered to be printed

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

### REPORT

[To accompany H.R. 6920]

The Committee on Finance, to whom was referred the bill (H.R. 6920) to amend section 715 of title 38, United States Code, to authorize, under certain conditions, the issuance of total disability income provisions for inclusion in national service life insurance policies to provide coverage to age 65, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

#### EXPLANATION OF THE BILL

The purpose of this bill is to authorize the inclusion of a new total disability income provision in national service life insurance policies, providing for the payment of total disability income benefits if the insured becomes so disabled prior to age 65. The comparable provision issued under existing law authorizes benefit payments if the insured becomes totally disabled before attaining age 60. The new provision could be issued upon application on or after January 1, 1965, proof of good health, payment of an extra premium, and surrender of any existing age 60 total disability income provision.

The committee has approved H.R. 6777, raising the age limitation on waiver of insurance premiums for national service life insurance policies from 60 to 65. That bill, if and when enacted, together with this legislation, will make the World War II national service life insurance policy more comparable to the total disability benefit provisions of U.S. Government life insurance for World War I veterans.

As noted, the present age limitation on national service life insurance policies for total disability income protection is age 60. This means that any veteran having a national service life insurance policy and who can show good health and upon payment of an additional premium is entitled to \$10 per month for each \$1,000 of insurance

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in effect from the first day of the seventh month following the date of total disability and so long as total disability continues.

Following introduction of this bill in the House of Representatives, the Veterans' Administration restudied the entire question of issuing disability coverage to age 65. The Veterans' Administration concluded that:

With certain safeguards, adequate and reasonable premium rates can be developed so as to provide for an actuarially sound total disability income provision \* \* \* which will extend the age limitation to 65 years.

In order for an insured to receive this added protection, application must be made before the 55th birthday; however, in order to afford all insureds now under age 60 an opportunity to obtain this protection, policyholders between age 55 and 60 would be granted 1 year after January 1, 1965, in which to meet the requirements.

A tentative schedule of rates for this type of insurance is reproduced below.

*TDIP monthly premium per \$10 monthly income—5-year term*

[Age at TDIP issue, 35]

Age Interval	Monthly premium during age interval	
	Disability to 65	Disability to 60
35 to 40.....	\$0.18	\$0.12
40 to 45.....	.22	.16
45 to 50.....	.34	.28
50 to 55.....	.60	.54
55 to 60.....	1.10	1.04
60 to 65.....	1.42	-----

Age at Issue	Ordinary life		20-payment life	
	Disability to 65	Disability to 60	Disability to 65	Disability to 60
30.....	\$0.38	\$0.28	\$0.60	\$0.36
40.....	.60	.44	.68	.44
50.....	1.07	.76	1.07	.76

With respect to participating national service life insurance, the Veterans' Administration report states that the liberalization of the delimiting age for the grant of total disability income benefits would create only a negligible additional benefit cost to the Government, stemming from those few claims which are found to be traceable to the extra hazard of military service. As for nonparticipating policies, the report makes clear that any increase in the contingency reserve required for total disability payments would not necessarily represent a cost to the Government. As the report points out:

Such cost would arise only if the premium rates charged for the new age 65 provision should be inadequate to cover the loss. This, of course, is not anticipated.

As of December 31, 1963, the VA had the following number of total disability income provisions on NSLI policies: \$5 rider, 35,056; \$10 rider, 746,851. There are approximately 5½ million NSLI policies.

Based upon the assumption of 600,000 applications during the first 5 years following effective date of the bill, it is estimated that the first year's administrative cost will be \$857,200; second year, \$225,500; third year, \$7,300; fourth year, \$10,200; and the fifth year, \$13,200.

## DEPARTMENTAL REPORT

The favorable report of the Veterans' Administration follows:

MARCH 12, 1964.

Hon. HARRY F. BYRD,  
*Chairman, Committee on Finance,*  
*U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in response to your request for a report on H.R. 6920, 88th Congress.

The purpose of the bill is to amend 38 U.S.C. 715, effective January 1, 1965, to authorize the inclusion of a liberalized type of total disability income provision in certain national service life insurance (NSLI) policies, providing for the payment of \$10 per month for each \$1,000 of such insurance in effect if the insured becomes totally disabled prior to age 65. The new age 65 total disability income provision could be issued only upon application, proof of good health, payment of an extra premium, and surrender of any age 60 total disability income provision issued under existing or prior law.

In order to prevent adverse selection against the insurance fund, the bill would require that the insured make application for the new age 65 provision before his 55th birthday. However, in order to afford all insureds under age 60 an opportunity to apply for the new provision, persons between age 55 and age 60 would be granted 1 year after January 1, 1965, in which to meet the requirements for the total disability income provision. The new age 65 provision would provide better coverage than the existing age 60 total disability income provision, and it would be the only such provision issued after January 1, 1965. The existing provisions of 38 U.S.C. 715 authorize the Administrator to include a total disability income provision with an age 60 limitation in certain NSLI policies upon application by the insured, proof of his good health, and payment of an extra premium. The provision is not available to persons issued service-disabled veterans insurance under section 620 of the National Service Life Insurance Act or section 722(a) of the code.

Under the provision now in effect, if the insured becomes totally disabled for a period of 6 consecutive months or more commencing after the date of application for the provision, before attaining the age of 60, and while the payment of any premium is not in default, he may receive \$10 per month for each \$1,000 of insurance in effect. The disability benefit is payable from the first day of the seventh consecutive month of and during the continuance of total disability. The original total disability income provision authorized for inclusion in policies under section 602(v) of the National Service Life Insurance Act pays only \$5 per month for each \$1,000 of insurance in effect. Public Law 85-678, effective November 1, 1958, amended section 602(v) to authorize inclusion in policies of a total disability income provision which pays \$10 per month for each \$1,000 of such insurance. Public Law 85-678 specifically provided that the new \$10 coverage could not be added to a policy containing the old \$5 coverage except

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upon surrender of the \$5 coverage, proof of good health, and payment of an extra premium.

The Veterans' Administration in the past has opposed extension of the delimiting age in the NSLI total disability income provision from age 60 to age 65. This opposition stemmed from the fact that when the National Service Life Insurance Act of 1940 was amended in 1946 to authorize inclusion of a total disability income provision in NSLI policies, and during succeeding years, the age 60 limitation was and has been generally more liberal than the age limitation contained in similar coverage offered by private insurance companies.

Although a limitation of age 60 on the payment of total disability income benefits is now about average among commercial insurance companies, the trend in the insurance industry is toward providing more health protection for our senior citizens. Accordingly, the question of issuing disability coverage to age 65 was restudied in its entirety. After such restudy it is our conclusion that, with certain safeguards, adequate and reasonable premium rates can be developed so as to provide for an actuarially sound total disability income provision in NSLI policies which will extend the age limitation to 65 years.

H.R. 6920 would be effective January 1, 1965. It would thus have the same effective date as H.R. 6777, 88th Congress, which passed the House of Representatives on December 2, 1963, and is presently pending before your committee. The latter bill, if enacted, would extend from age 60 to age 65 the delimiting age before which an insured must become totally disabled to be eligible for waiver of premiums on NSLI. Enactment of H.R. 6920 with an effective date the same as that of H.R. 6777 is necessary because the extra premium intended to be charged for the new age 65 total disability income provision does not include an amount to cover the cost of waiver of premiums on the life insurance where the insured becomes totally disabled between age 60 and age 65.

The following are comparative monthly premium rates for a total disability income provision (TDIP) with coverage to age 60 and to age 65 on term and permanent plan insurance. The rates for "disability to 65" are tentative and may not be the exact rates to the penny which may be finally adopted.

*TDIP monthly premium per \$10 monthly income—5-year term*

[Age at TDIP issue, 35]

Age interval	Monthly premium during age interval	
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50.....	1.07	.76	1.07	.76

The premiums on nonparticipating NSLI issued under section 621 of the National Service Life Insurance Act and 38 U.S.C. 723(b) are credited to a revolving fund in the Treasury and liabilities on such insurance are paid from that fund. The fund belongs to the Government, and under 38 U.S.C. 723(e) any amounts in excess of the actuarial liabilities of the revolving fund are transferred to the general fund receipts of the Treasury. The extension of the delimiting age for the grant of total disability income benefits from age 60 to age 65 will require as a safeguard the maintenance of a larger contingency reserve on total disability income provisions issued such insureds. However, any increase in the contingency reserve would not necessarily represent a cost to the Government. Such cost would arise only if the premium rates charged for the new age 65 provision should be inadequate to cover the losses. This, of course, is not anticipated.

With respect to participating NSLI, the extension of the delimiting age for grant of total disability income benefits would result in the cost to the Government only with respect to additional claims traceable to the extra hazard of military or naval service. In view of the age groups involved and the elapsed time since most of the insureds were in the military service, it is anticipated that the extra hazard claims resulting from the bill would be negligible.

It is, of course, not known how many policyholders would apply for the age 65 total disability income provision if H.R. 6920 were enacted into law. Based upon the assumption that approximately 600,000 applications will be received during the first 5 years following the effective date of the bill, it is estimated that the administrative cost to the Veterans' Administration for such period will be as follows:

1st year.....	\$857, 200
2d year.....	225, 500
3d year.....	7, 300
4th year.....	10, 200
5th year.....	13, 200

The Veterans' Administration recommends that H.R. 6920 be favorably considered by your committee.

Advice was received from the Bureau of the Budget regarding a similar report on this bill to the House Committee on Veterans' Affairs that there was no objection to the presentation of the report from the standpoint of the administration's program.

Sincerely,

J. S. GLEASON, Jr.,  
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):

## SECTION 715, TITLE 38, UNITED STATES CODE

## § 715. Total disability income provisions

The Administrator shall, *except as hereinafter provided*, 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, include in any National Service Life Insurance policy on the life of the insured (except a policy issued under section 620 of the National Service Life Insurance Act of 1940, or section 722 of this title) 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] *sixty-five* 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 \$10 for each \$1,000 of such insurance in effect when such benefits become payable. *The total disability provision authorized under this section shall not be issued unless application therefor is made either prior to the insured's fifty-fifth birthday, or before the insured's sixtieth birthday and prior to January 1, 1966.* The total disability provision authorized under this section shall not be added to a policy containing the total disability coverage heretofore issued under section 602(v) of the National Service Life Insurance Act of 1940, *or the provisions of this section as in effect before January 1, 1965*, except upon surrender of such total disability coverage, proof of good health, *if required*, satisfactory to the Administrator, and payment of such extra premium as the Administrator shall determine is required in such cases. Participating 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.

