
VETERANS' BUREAU.

JULY 20, 1921.—Ordered to be printed.

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

REPORT.

[To accompany H. R. 6611.]

The Committee on Finance, to whom was referred the bill (H. R. 6611) to establish in the Treasury Department a Veterans' Bureau and to improve the facilities and services of such bureau, and further to amend and modify the war risk insurance act, having had the same under consideration, report favorably thereon with certain amendments, and as amended, recommend that the bill do pass:

ESTIMATED EXPENDITURES.

The estimated expenditures involving appropriations for the present fiscal year from the Public Treasury under the present statutes relating to the War Risk Insurance Bureau and the Federal Board for Vocational Education for the fiscal year ending June 30, 1922, aggregate \$391,225,853.59. It is estimated that the like expenditures for the fiscal year 1922 under H. R. 6611 and existing law will amount to \$402,725,853.59, or an approximate increase in expenditures under H. R. 6611 of \$11,500,000.

The above expenditures include an estimated expenditure under existing law for the Federal Board for Vocational Education during the fiscal year 1922 of \$162,655,184. There has been appropriated for this purpose only \$65,000,000. There will therefore be a deficit of \$97,655,184 that will have to be met by a subsequent appropriation.

The following table shows the estimated expenditures for the War Risk Insurance Bureau and the Federal Board for Vocational Education by items for the fiscal year ending June 30, 1922, (1) under

present appropriations and (2) under present appropriations and H. R. 6611:

Appropriation.	Estimated expenditures under present appropriations, fiscal year 1922.	Estimated expenditures under present appropriations and H. R. 6611, fiscal year 1922.
Salaries and expenses, War Risk Insurance Bureau.....	\$6,945,400.00	\$5,945,400.00
Military and naval allowances.....	2,040,000.00	2,040,000.00
Military and naval compensation.....	145,000,000.00	145,000,000.00
Medical and hospital services.....	74,585,269.59	87,085,269.59
Total for War Risk Insurance Bureau.....	228,570,669.59	240,070,669.59
Federal Board for Vocational Education.....	162,655,184.00	162,655,184.00
Grand total.....	391,225,853.59	402,725,853.59

While the above statement is a correct statement of expenditures from appropriations for the fiscal year 1922, it is not an absolutely correct estimate of what the expenditures and necessary appropriations will be for future years.

The item of military and naval insurance is the cause of this condition. It has been omitted from the table showing present expenditures, because there is on hand a fund representing estimated premiums received, and to be received during the fiscal year 1922 which is in excess of the estimated expenditures of military and naval insurance during this fiscal year.

There is available for expenditures under military and naval insurance liability at the present time \$187,270,000. This fund represents premiums received and estimated premiums to be received during the fiscal year 1922 upon military and naval insurance policies together with \$23,000,000 appropriated by previous acts of Congress.

It is estimated that the expenditures under present statutes for the fiscal year 1922 to meet the obligations under military and naval insurance will be \$117,000,000. It is estimated that if H. R. 6611 is enacted the estimated expenditures for the fiscal year 1922 for military and naval insurance will be \$120,000,000, or \$3,000,000 more than the estimated expenditures under present statutes.

By drawing all the expenditures for this year from the premiums fund on hand there will be no need of any appropriations, but this fund will be almost entirely exhausted this year—hence an appropriation to meet this expense of military and naval insurance will be needed each year hereafter. A review of this military and naval insurance fund and liabilities will better explain this obligation in the future.

The Government received some \$300,000,000 in term insurance premiums and incurred a liability on the very policies on which these premiums were received of \$1,300,000,000 payable over 20 years. Unless we are in error, a private company would figure out its annual liabilities under such condition—with proper allowance for computed interest something like this: Total liability over 20 years, \$1,300,000,000, or \$65,000,000 annually; Total assets to meet this expenditure, \$300,000,000, apportioned over 20 years, at the rate of \$15,000,000 a year. Net charge to each year of the 20 years, which

must be raised from sources other than premiums, \$50,000,000. While this sum (\$50,000,000) would be the average deficit that would have to be appropriated from the beginning, if the method usually pursued by private insurance companies was followed, yet as the premiums fund will this year be exhausted except \$67,000,000, an added appropriation in excess of \$120,000,000 will be required after next year.

The following is a statement furnished the Committee on Finance by the Bureau of War Risk Insurance, showing the items of estimated expenditures for the Bureau of War Risk Insurance and the Federal Board for Vocational Education, the estimated amount available for such expenditures, and the acts authorizing such expenditures, and giving in detail the estimated expenditures during the fiscal year ending June 30, 1922, under present statutes and if H. R. 6611 is passed.

Appropriation.	Act of Congress authorizing expenditures.	Estimated amount available for expenditure.	Estimated expenditures under present statutes, fiscal year 1922.	Estimated expenditures if Sweet bill passed, fiscal year 1922.
Salaries and expenses, Bureau of War Risk Insurance.	War risk act of Oct. 6, 1917, as amended, and legislative, executive, and judicial act of Mar. 3, 1921.	\$7,400,400.00	\$6,945,400.00	\$5,945,400.00
Marine and seamen's insurance. ¹	War risk act of July 12, 1917.	68,300,000.00	588,000.00	588,000.00
Military and naval allowances.	War risk act of Oct. 6, 1917, as amended, and sundry civil act of July 19, 1919.	19,179,000.00	2,040,000.00	2,040,000.00
Military and naval insurance. ²	War risk act of Oct. 6, 1917, as amended.	187,270,000.00	117,000,000.00	120,000,000.00
Military and naval compensation.	War risk act of Oct. 6, 1917, as amended, and sundry civil act of Mar. 4, 1921.	161,079,000.00	145,000,000.00	145,000,000.00
Medical and hospital services. ³	.....do.....	33,000,000.00	74,585,269.59	87,085,269.59
United States Government life insurance fund. ⁴	War risk act of Oct. 6, 1917, as amended.	54,784,000.00	5,000,000.00	5,000,000.00
Army allotment trust fund ⁵	.....do.....	20,100,000.00	809,000.00	809,000.00
Navy allotment trust fund ⁵	.....do.....	221,000.00	734,000.00	734,000.00
Marine Corps allotment trust fund. ⁵	.....do.....	61,600.00	60,000.00	60,000.00
Coast Guard allotment trust fund.	.....do.....	11,000.00	33,000.00	33,000.00
Total, Bureau of War Risk Insurance.	.....do.....	551,396,000.00	352,794,669.59	367,294,669.59
Federal Board for Vocational Education. ⁶	Vocational rehabilitation act of June 27, 1918, as amended, and sundry civil act of Mar. 4, 1921.	65,000,000.00	162,655,184.00	162,655,184.00
Grand total.....	.....do.....	616,396,000.00	515,449,853.59	529,949,853.59

¹ Represents premiums received in addition to \$50,000,000 appropriation by Congress less losses paid.
² Represents premiums received and estimate of premiums to be received, fiscal year 1922, in addition to appropriation of \$23,000,000 less losses paid.
³ Supplemental appropriation will be necessary.
⁴ Represents mutual insurance trust fund and no appropriation by Congress.
⁵ Represents no appropriation by Congress but only funds deducted from service pay and disbursed in accordance with war risk act.

VETERANS' BUREAU.

AMENDMENTS.

VETERANS' BUREAU.

The first 14 sections of the bill as it passed the House provide for the consolidation into one bureau in the Treasury Department of the Bureau of War Risk Insurance, the Rehabilitation Division of the Federal Board for Vocational Education, and so much of the Public Health Service as relates to the examination, assignment to hospitals, and the welfare of persons who served in the World War, and are now or have been patients of the Bureau of War Risk Insurance or of the Rehabilitation Division of the Federal Board for Vocational Education.

The amendment proposed adopts the consolidation policy of the House bill and provides that the aforementioned Government organizations shall be consolidated in an independent bureau under the President. The amendment also provides that the director of the Veterans' Bureau shall be appointed by the President by and with the advice and consent of the Senate. The salary of the director is left at \$10,000 per annum, the same as in the House bill.

FEDERAL BOARD FOR VOCATIONAL EDUCATION ABOLISHED.

Section 3 of the House bill provides that the functions, powers, and duties conferred by existing law upon the Bureau of War Risk Insurance and the Rehabilitation Division of the Federal Board for Vocational Education shall be transferred to and made a part of the Veterans' Bureau. The amendment proposed to this section provides that the Federal Board for Vocational Education shall be abolished and all the powers and duties vested in such board shall be exercised by the director of the Veterans' Bureau.

ADMINISTRATION OF HOSPITALIZATION ACT OF MARCH 4, 1921, TRANSFERRED TO THE VETERANS' BUREAU.

Section 3 is further amended to provide that the powers and duties conferred, the appropriations made, the rights or property acquired, and the obligations incurred under the hospitalization act of March 4, 1921, as amended, shall be transferred to the Veterans' Bureau.

TRANSFER OF PERSONNEL OF VOCATIONAL BOARD TO VETERANS' BUREAU.

Section 4 of the House bill provides for the transfer to the Veterans' Bureau of the personnel, facilities, property, and equipment, including leases, contracts, and other obligations and instrumentalities of the War Risk Bureau, certain parts of the Public Health Service, and the Rehabilitation Division of the Federal Board for Vocational Education. The amendment proposed provides for the transfer to the Veterans' Bureau of all the personnel, facilities, property, and equipment of the Federal Board for Vocational Education.

TRANSFER OF RECORDS.

Section 5 provides for the transfer to the Veterans' Bureau of all records, files, documents, correspondence, and other papers relating to the service rendered or to be rendered by the United States Public Health Service in the medical examination and assignment to hospitals of persons who served in the World War and who are now or have been beneficiaries of the Bureau of War Risk Insurance or the Federal Board for Vocational Education. This section also provides for the transfer to the Veterans' Bureau of all records, files, documents, correspondence, and other papers in the possession of the Bureau of War Risk Insurance and those which as a result of the administration of the act of June 27, 1918, and amendments thereto are in possession of the Rehabilitation Division of the Federal Board for Vocational Education. It is recommended that the last paragraph of this section be amended so that all records, files, documents, correspondence, and papers in the possession of the Federal Board for Vocational Education shall be transferred to the Veterans' Bureau.

REGIONAL OFFICES.

Section 6 of the House bill, known as the decentralization section, provides for a central office in the District of Columbia and 14 regional offices and not to exceed 140 suboffices. The section authorizes the regional offices under rules and regulations prescribed by the director to exercise powers for hearing complaints and for examining, rating, and awarding compensation claims, granting medical, surgical, dental, and hospital care, convalescent care, and necessary and reasonable aftercare, making insurance awards, granting vocational training, and all other matters delegated to them by the director. However, it provides that the suboffices shall not have power to make compensation and insurance awards or to grant vocational training. The proposed amendment gives the director power to review the acts of the regional offices and suboffices.

Section 6 provides that the regional offices and suboffices, with all authority to establish such offices, shall terminate on June 30, 1926. Your committee recommend that this part of the section be amended so that the director can terminate any regional offices or suboffices when in his judgment this may be done without detriment to the administration of the act.

APPROPRIATIONS.

Section 8 of the House bill makes all appropriations heretofore and hereafter made to any of the Government organizations consolidated in the Veterans' Bureau available to be expended for the Veterans' Bureau. The amendment recommended strikes out the reference to the appropriations hereafter made because such reference is unnecessary.

STANDARDIZATION OF FACILITIES AND SERVICES OF VETERANS' BUREAU.

Section 9 of the House bill provides for an inspection service to standardize the facilities and services of the Veterans' Bureau. The amendment proposed by your committee limits the agencies to be

used for inspection purposes to Government agencies approved by the President. The House bill would have permitted the employment of private agencies to make such investigations. The amendment also requires the head of the inspection service to report to the director the result of each examination of facilities and services and to recommend to him methods of standardization of such facilities and services.

ADEQUATE CARE PROVIDED FOR BENEFICIARIES OF VETERANS' BUREAU.

Section 9 authorizes the director, when in his opinion the facilities and services utilized for the hospitalization, medical care, and treatment for beneficiaries of the Veterans' Bureau are unsatisfactory, to make arrangements for the further hospitalization, care, and treatment of those beneficiaries by other means. It is proposed to limit this authority to appropriations made for carrying out the provisions of this paragraph....

ACQUISITION OF HOSPITALS.

Section 9 also authorizes the director to recommend to the Secretary of the Treasury the further improvement or extension of existing Government facilities, or the acquiring of new facilities in the form of new structures in the event there is not sufficient Government hospital and other facilities for the proper medical care and treatment of beneficiaries of the Veterans' Bureau, and provides that such permanent equipment when so acquired shall become a part of the existing agencies of the Government. It is recommended that this paragraph be amended to authorize the director, with the approval of the President, within the limits of the appropriations made for carrying out the provisions of the paragraph, in the event that there is not sufficient Government hospital and other facilities for the proper medical care and treatment of beneficiaries of the Veterans' Bureau, to acquire additional facilities by purchase or otherwise.

The House bill authorizes the director, in the event Government hospital facilities and other facilities are not available or are not sufficient, to contract with State, municipal, or private hospitals for medical, surgical, and hospital services. Your committee recommends that this authorization be stricken from the bill because it believes the last two amendments above referred to give the director of the Veterans' Bureau all authority necessary to amply provide for the beneficiaries of the Veterans' Bureau.

Your committee recommends that a new paragraph be added at the end of section 9 to authorize the President, when he deems it necessary and advisable for the proper medical care and treatment of beneficiaries of the Veterans' Bureau, to transfer to the director of the bureau the operation, management, and control of specifically designated hospitals now under the jurisdiction of the Public Health Service.

DETAIL OF CLERKS AND EMPLOYEES OF THE VETERANS' BUREAU.

Section 10 of the House bill provides that the director may detail clerks or persons employed in the bureau to make examinations into the merits of compensation and insurance claims and to aid in the

preparation, presentation, or examination of such claim. Such persons are given power to administer oaths, take affidavits, and certify to the correctness of papers or documents pertaining to the administration of the act. The proposed amendment provides that this section shall not be construed to authorize a travel allowance to clerks or persons for transportation or subsistence outside of the district in which they are employed.

PENALTIES FOR BREACH OF HOSPITAL RULES.

Section 11 authorizes the director to make rules in order to promote good conduct on the part of persons who are receiving care or treatment in hospitals, homes, or institutions as patients or beneficiaries of the Veterans' Bureau. The section provides that the penalties for the breach of such rules may extend to a forfeiture by the offender of such portion of the compensation payable to him not exceeding three-fourths of the monthly installment per month for three months. The amendment proposed requires the approval of the director before the imposition of a penalty of forfeiture shall become effective.

It is also proposed to give the offender the right to appeal the decision involving the forfeiture of a part of his compensation to a board of three persons to be established and appointed by the Director of the Veterans' Bureau. The amendment provides for the appointment of a board for each regional district. The board is to be known as the board on discipline and morale. The amendment provides that the board shall serve without compensation and shall be composed of public-spirited citizens interested in the general welfare of incapacitated veterans, and at least one of the members of such board shall be an ex-service man and a member of some war veterans' organization. No person who is in the employ of the United States is eligible for appointment on such board. The amendment provides that the decision of the board shall be final.

CREATION OF BOARD OF APPEALS TO REVIEW DECISIONS OF HOSPITAL AUTHORITIES.

Your committee recommend the addition of a new paragraph to section 11 that if an inmate of a hospital maintained by the United States shall be ordered to undergo an operation and shall protest against such operation, his protest, together with all the facts in the case, including if necessary a physical examination, shall be submitted to a board of appeals. It is recommended that a board of appeals be created in each town or city where there is located a hospital maintained by the United States. The board is to consist of three members, two of whom shall be surgeons and one a physician. The director is directed to appoint such boards from lists of surgeons and physicians recommended by the American College of Surgery. The paragraph provides that, pending the appeal of the inmate, he shall not be dismissed from the hospital or subjected to any disciplinary treatment or to an operation. The paragraph also specifies that if a protest is sustained in whole or in part and he shall comply with the recommendation of the board, he shall not be dismissed from the hospital or penalized.

RELIEF IN CASES IN WHICH THE DISABILITY RATING IS LESS THAN 10 PER CENT.

Section 13 of the bill is an enlargement of the existing rights of ex-service men. It provides for the extension for the first time of medical care and treatment to persons suffering from an injury contracted in or aggravated by the service to some degree less than 10 per cent reduction in earning capacity. Under the existing war risk insurance act as amended the bureau can give no medical care or treatment to any persons not entitled to compensation, and it can give compensation only to persons having at least a 10 per cent disability. Although the section grants no compensation for disability less than 10 per cent, it does permit the bureau to grant medical care and treatment to any person who suffered any disability, though less than 10 per cent, in the military service. It also permits treatment for an aggravation of a preexisting disability, though the aggravation is less than 10 per cent. The application for such treatment must be made within one year from the date of separation from the service or from the date the act goes into effect. This provision is evidently intended to cover only the furnishing of treatment to ex-soldiers for the particular disability incurred in line of duty. It is recommended that in the case of disability because of an aggravation of a preexisting injury or disease that the relief be limited to cases in which such injury or disease was specifically noted at examination for entrance into or employment in the active military or naval service. The amendment requires that the aforementioned relief shall be granted only in cases in which the wound or injury received or disease contracted or aggravation of a preexisting injury or disease, for which such hospital, dental, medical, surgical, and convalescent care and treatment and prosthetic appliances shall be furnished, was incurred in line of duty and not caused by the ex-soldier's own willful misconduct.

Your committee also recommends that this section be amended so that no applicant who waived any right to exemption on account of an injury or disease upon admission into the military or naval forces of the United States shall be entitled to the benefits of section 13 in the case of an aggravation of such injury or disease incurred in line of duty. The section is also amended so that it will accurately define the class of beneficiaries entitled to the benefits of the section.

REPORTS TO CONGRESS.

Section 14 authorizes the director to file an annual report with the Clerk of the House and the Secretary of the Senate, giving an itemized account of all expenditures made by the Veterans' Bureau, including names, classifications, and salaries of all staff officers, experts, assistants, and employees. The amendment proposed will require the director to state in his report the nature and terms of all contracts made under the authority of this act and the names and principal places of business of the parties thereto, and to classify all expenditures by regional offices and suboffices.

FRAUDULENT STATEMENTS AND AFFIDAVITS.

Your committee recommends the addition of an additional paragraph in section 14 to provide that any person making or in any wise procuring the making or presentation of a false affidavit, statement,

declaration, certificate, voucher, or paper concerning any claim or the approval of any claim for compensation or the payment of any money for himself or any other purpose under article 3 of the war risk insurance act, or any acts amendatory thereof or supplemental thereto, shall forfeit all rights, claims, and benefits under such article and in addition to any and all other penalties imposed by law, shall be guilty of a misdemeanor and upon conviction thereof shall be punished by a fine of not more than \$1,000 or imprisonment for not more than one year, or by both such fine and imprisonment for each such offense.

AMENDMENTS TO THE WAR RISK INSURANCE ACT.

TO GRANT EQUAL RIGHTS TO CERTAIN ENLISTED AND INDUCTED MEN.

Section 16 of the bill is intended to amend section 31 of the war risk insurance act, as amended by the act of December 24, 1919, so as to give men who enlisted and who died or became disabled before final acceptance by the military or naval authorities the same rights to compensation and insurance as were given to the inducted men by section 31. The House bill gives them the same right as men who were finally examined, accepted, and enrolled, rights more extensive than those conferred on inducted men under section 31. Amendments are proposed to give the enlisted men who died or became disabled before final acceptance the same right as inducted men.

TO LIMIT THE PRESUMPTION OF SOUNDNESS OF MEN ACCEPTED FOR SERVICE.

Section 18 of the bill amends section 300 of the war risk insurance act.

Section 300 of the war risk insurance act as amended by the act of June 25, 1918, and by the act of December 24, 1919, contains a proviso which reads as follows:

Provided, That for the purposes of this section said officer, enlisted man, or other member shall be held and taken to have been in sound condition when examined, accepted, and enrolled for service.

The effect of this amendment is to create a conclusive presumption of soundness when men are accepted for service. It frequently happens that diseases or defects which are actually in existence at the time of acceptance can not be detected by means of such medical examination as is possible at the time, but when later discovered can be shown to have existed prior to acceptance.

It is the opinion of your committee that the construction of the war risk insurance bureau of the proviso aforementioned should not be continued now that voluntary enlistments have been resumed. Section 18 of the bill is intended to put into effect this new policy in relation to voluntary enlistments. As a result of the wording of the House bill, this section excludes from the presumption of soundness those who entered the service after November 11, 1918, and who have suffered injury and have already been discharged. To many of these persons awards of compensation under existing law have already been made and it is not deemed advisable to disturb rights already accrued under the existing law. Your committee recommends that this section be amended so that the aforementioned presumption shall apply in the case of all ex-service men who were dis-

charged or who resigned prior to the date of approval of this act, and in the case of ex-service men who are discharged or resign after the approval of this act, if they entered the service prior to November 11, 1918.

Prior to the decision of the Comptroller of the Treasury of June 18, 1921, the Bureau of War Risk Insurance had interpreted section 300 of the war risk insurance act to exclude from the beneficial operation of section 300 those cases of ex-service men having known physical defects which were noted at the time of enlistment, and who, notwithstanding such noted defects, were accepted for special and limited service only. The aforementioned opinion holds that such ex-service men are also entitled to compensation under Article III of the war risk insurance act.

Your committee believes that such a construction of the act was not intended. It does not believe that a correct construction of section 300 would grant compensation to soldiers accepted in the service with physical defects whereof record was made at the time and who were mustered out of the service without having their defects increased while in the service, or without being in any way injured physically because of their Army service, and it proposes an amendment at the end of section 300 of the war risk insurance act to provide specifically that such soldiers shall not be entitled to the benefits of Article III of such act.

INCREASE IN PAYMENT FOR ATTENDANTS OF DISABLED SOLDIERS.

Section 19 of the Senate bill adds a new section to amend subdivision 5 of section 302 of the war risk insurance act to increase the amount that can be paid for an attendant of a blind or otherwise disabled ex-service man, in case such person is so helpless as to be in constant need of a nurse or attendant, from \$20 to \$50 per month.

TRANSFER OF FUNDS AS BETWEEN THE MILITARY AND NAVAL APPROPRIATION FUND AND THE GOVERNMENT LIFE INSURANCE FUND.

Section 24 of the House bill adds a new section to the war risk insurance act to be known as section 406.

Under the original war risk insurance act it was specifically provided that the United States should bear the extra hazards of war. It was also specifically provided that any man carrying term insurance could convert it at any time without medical examination. The act of December 24, 1919, established for converted insurance a trust fund to which the Government contributes nothing and which is made up wholly of the insurance premiums paid in by the insured. The converted insurance premiums are figured out on a proper insurance actuarial basis and the fund is self-sustaining. Inasmuch as a policyholder had a right to convert his term insurance at any time it was found that many policyholders in very bad shape because of war hazards converted their insurance three or four months before death. Then when they died the entire insurance was payable not by the United States but out of the United States Government life insurance fund. In other words, instead of the Government bearing the excess hazard, this matured trust fund to which all the soldiers were paying premiums and in which they had a particular interest because the smaller the loss the greater the dividends, was in fact

bearing the unusual hazards. This section is proposed to correct this situation. The amendment proposed also provides that where the entire loss is paid out of the military and naval appropriations then so much premiums as may have been paid into the converted fund on that particular policy shall be credited to the military and naval appropriations.

CASES IN WHICH THE INSURED IS SURVIVED BY NO RELATIVES.

Section 25 of the House bill adds a new section, to be known as 407, to the war risk insurance act, which is in effect an amendment to section 14 of the act of December 24, 1919.

By the act of December 24, 1919, the war risk insurance act was amended by inserting therein the following section:

SEC. 14. That if no person within the permitted class of beneficiaries survived the insured, then there shall be paid to the estate of the insured the monthly installments payable and applicable under the provisions of article 4 of the war risk insurance act.

In the administration of this section the Bureau of War Risk Insurance has found cases in which the insured is survived by no relatives who can take his estate under any law of distribution, and as the insured left no will the insurance, if paid to his estate, would escheat to the State in which the insured was domiciled at the time of his death. In all cases that have heretofore arisen the War Risk Insurance Bureau has refrained from making awards under section 14 when it appeared that the payments made to the estate of the insured would escheat to the State; but it is feared that should claim be made therefor the bureau might have to pay insurance to the State under the law of escheat. This section is designed to prevent the escheat to the State, in which the soldier was domiciled at the time of his death, of the insurance installments in cases where no relative survives the insured who might take his insurance under the law governing the distribution of estates of intestates. It is believed that section 25 in its present form would not protect the bureau in cases where the insurance has already matured by the death of the insured. Your committee therefore recommends that the section be made retroactive by adding thereto the words "this section shall be deemed to be in effect as of October 6, 1917."

REINSTATEMENT OF LAPSED INSURANCE.

Section 26 of the House bill adds to article 4 of the war risk insurance act a new section, to be known as section 408, the purpose of which is to provide for the reinstatement of lapsed insurance when the insured is disabled by reason of injury or disease suffered or contracted in the active service. The House bill provides:

As a condition, however, to the acceptance of an application for the reinstatement of lapsed or canceled yearly renewable term insurance or United States Government life insurance (converted insurance) the applicant shall be required to pay all the back monthly premiums which would become payable if such insurance had not lapsed, together with interest at the rate of 3½ per centum per annum on each premium from the date such premium is due by the terms of the policy.

Your committee recommends that the section be amended by striking out the figures "3½" and inserting the figure "5" and requiring the interest to be computed annually. It is believed that these changes should be made in the section for the following reasons:

1. Government life insurance policies (converted insurance) provide for collection of interest in all cases of reinstatement at the rate of 5 per cent per annum, and if this bill should become a law as it now stands it would immediately change this provision in the policy in all cases that are now lapsed, where the disability is of service origin. All reinstatements that have been made have been on the basis of interest at 5 per cent per annum.

2. The Government life insurance fund is now earning and has averaged since it begun to invest its fund an interest rate of better than 5 per cent, and to allow a certain class to reinstate on a rate of interest less than others have been charged of the same class is manifestly unfair to those who have paid 5 per cent.

The second proviso of the House bill, which relates specifically to persons entitled to compensation under article 3 of the war risk insurance act, declares that insurance shall not lapse if such compensation has not been collected or if no claim has been made therefor, if at the time of lapse the insured was entitled to compensation in a sum equal to or in excess of the amount due from him in premiums, and directs the bureau to pay the insurance to the beneficiaries. There is no provision in the House bill for the payment of premiums due on such insurance. Your committee believes that as under this provision the insurance is not to lapse, but to be regarded as remaining in force, the section should be amended to require the deduction of the premiums due and interest thereon at 5 per cent per annum compounded annually before making payment to the beneficiary under the policy.

WAIVER OF PREMIUMS.

By section 27 of the House bill there is added a new section to article 4 of the war risk insurance act known as section 409. This section authorizes the bureau to waive the premiums on yearly renewable term and United States Government life insurance, and thus prevent the lapse of the insurance in cases where the insured is confined in a hospital for a compensable disability or where the insured is rated as temporarily totally disabled by reason of the compensable injury. In its present form the section does not clearly state whether the premiums are to be absolutely waived or whether a payment of the premium on the due date is waived and the time of payment extended so as to prevent a lapse. Your committee believes that there should not be an absolute waiver in such cases but only a waiver of payment on the due date, thus preventing a lapse of the insurance, and that the premiums thus remaining unpaid at the end of the period of hospitalization or of the temporary total disability, if not otherwise paid by the insured, should be deducted from the installments of the insurance on maturity of the policy, and recommends amendments accordingly to clarify the section.

REPORT OF COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE OF THE HOUSE.

The report of the Committee on Interstate and Foreign Commerce of the House describes each section of the bill as it passed the House and is hereto appended and made a part of this report. The report is as follows:

House Report No. 104, Sixty-seventh Congress, first session.

VETERANS' BUREAU.

MAY 27, 1921.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed.

Mr. SWEET, from the Committee on Interstate and Foreign Commerce, submitted the following

REPORT.

[To accompany H. R. 6611.]

The Committee on Interstate and Foreign Commerce, to whom was referred the bill (H. R. 6611) to establish in the Treasury Department a Veterans' Bureau and to improve the facilities and service of such bureau, and further to amend and modify the war risk insurance act, having considered the same, report thereon with a recommendation that it pass.

It may be generally stated, that the first 14 sections of the bill provide for the establishment in the Treasury Department of a new bureau to be known as the Veterans' Bureau, the director of which shall be an Assistant Secretary of the Treasury.

The first 14 sections of the bill provide for the consolidation into one bureau in the Treasury Department the Bureau of War Risk Insurance, the Rehabilitation Division of the Federal Board for Vocational Education, and so much of the Public Health Service as relates to the examination, assignment, to hospitals, and welfare of persons who served in the World War, and are now or have been patients of the Bureau of War Risk Insurance or of the Rehabilitation Division of the Federal Board for Vocational Education.

It is the opinion of your committee, and in fact every committee that has examined into the governmental agencies established for the benefit of the disabled ex-service men of the country, that the service to be rendered should be unified and brought under the control of one bureau.

Complaints were made to your committee that delays in allotment, allowance, compensation, and insurance claims were largely due to the manner in which these agencies have been administered—that there is too much red tape and division of authority.

The consolidation of these agencies it is believed will bring about a more thorough business organization and will greatly add to the efficiency of the service to be rendered to disabled ex-service men. At the head of the bureau is a director, who will be responsible for the organization of the bureau, and who will have complete supervision and control over the property and personnel and who will have authority to adopt rules and regulations for the carrying out of the purposes of the act.

The complaints coming to your committee have not been as to laws that have been passed by Congress for the disabled ex-service men or neglect of Congress to pass proper laws, but as to the manner in which they have been administered. It is believed by your committee that when these agencies are consolidated as provided in the bill, that the disabled ex-service men of the country will receive a more expeditious handling and careful consideration of their compensation and insurance claims; that they will receive better care, attention, hospitalization, and vocational training.

The bill makes provision, in addition to the centralization at Washington, for the decentralization in the field. Provision is made for the establishment of 14 regional offices and such suboffices, not exceeding 50 in number, as may be deemed necessary by the director in the best interests of the work committed to the Veterans' Bureau and to carry out the purposes of this act. At these regional offices all the work of receiving applications, hearing complaints, holding examinations, passing on awards, and other routine work and investigations will be made for the proper and expeditious determination of compensation and insurance claims and the furnishing of hospital care and vocational training and other benefits to which the ex-service men are justly entitled under the laws passed by Congress. Each of said regional offices would be administratively complete in itself for its territory.

The suboffices will be auxiliary to the regional offices and shall have such powers as may be delegated to them by the director, except to make compensation and insurance awards and to grant vocational training.

The bureau would thus be completely decentralized, except for the general administration and final accounting. The original records of all activities concerned would remain in Washington, while copies or working cards would be retained at the various regional and suboffices.

There would be no division of responsibility or authority, which has been the source of the large number of complaints regarding the Government's present handling of the problems of the ex-service men. In each regional office the men in charge will be responsible for maintaining proper and economic service, and examinations for awards, for making payments, for hospitalization, vocational training, and all other matters involved.

All questions, in so far as possible, will be settled at the point of origin, near, or in the presence of, the men concerned, doing away with the necessity of all the intermediary personnel and equipment now required.

Appeals undoubtedly will be possible from the regional offices to the office at Washington and, if necessary, subject to final review by the director.

All regional papers will be kept on file at Washington, after being checked onto the individual working cards in the regional and sub-offices.

The Arlington Building will house completely all of the central office activities.

The director will have complete responsibility for the proper administration of the central office at Washington, and all the regional offices and suboffices throughout the country. He will be responsible for the organization of the bureau, and will have the power and authority to bring to his assistance such medical advisers and technical experts as will be necessary to meet all administrative problems and intelligently perfect and establish a thoroughgoing business administration of all these governmental agencies established for the benefit of disabled ex-service men.

Section 1 of the bill provides for the establishment in the Treasury Department of a bureau to be known as the Veterans' Bureau, the director of which shall be an Assistant Secretary of the Treasury, in addition to those otherwise provided by law, and shall receive a salary at the rate of \$10,000 per annum. The powers and duties pertaining to the office of the Director of the Bureau of War Risk Insurance are transferred to the Director of the Veterans' Bureau. It is also provided that there shall be included on the technical and administrative staff of the director such staff officers, experts, and assistants as the director shall prescribe. There shall be in the Veterans' Bureau such sections and subdivisions thereof as the director shall prescribe.

Section 2 provides that the director, subject to the general direction of the Secretary of the Treasury, shall administer, execute, and enforce the provisions of this act, and for that purpose shall have full power and authority to make rules and regulations not inconsistent with the provisions of this act, but which are necessary or appropriate to carry out its purposes, and shall decide all questions arising under this act, except as otherwise provided.

Section 3 provides that the functions, powers, and duties conferred by existing law upon the Bureau of War Risk Insurance and the Rehabilitation Division of the Federal Board for Vocational Education, be transferred to and made a part of the Veterans' Bureau.

Section 4 provides for the transfer to the Veterans' Bureau of all personnel, facilities, property, and equipment, including leases, contracts, and other obligations and instrumentalities of all the aforesaid agencies referred to in section 3 of the bill, including all that part of the United States Public Health Service which relates to the examination and assignment to hospitals of persons who are now or have been patients or beneficiaries of the Bureau of War Risk Insurance and the Rehabilitation Division of the Federal Board for Vocational Education, and as described and provided in a written order of the Treasury Department issued and signed by the Secretary of the Treasury on April 19, 1921, and designated "Order relative to the transfer of certain activities of the United States Public Health Service, relating to the Bureau of War Risk Insurance, including the trainees of the Rehabilitation Division of the Federal Board for Vocational Education."

Such a transfer would involve one class of personnel which now has a right to certain rank, grade, pay, and allowances, and a right

to certain rules of promotion; this class is the commissioned personnel of the United States Public Health Service. It is a class of men by themselves, composed exclusively of expert physicians and surgeons, and its personnel will not be in conflict as to character of work or as to essentials of school preparation with any other personnel, inasmuch as this section provides that all personnel performing the same or similar duties shall be maintained under the same rules as to rank and grade, pay and allowances, and promotion.

Section 5 provides for the transfer to the Veterans' Bureau of all records, files, documents, correspondence, and other papers relating to the service rendered or to be rendered by the United States Public Health Service in the medical examination and assignment to hospitals of persons who served in the World War and who are now or have been patients or beneficiaries of the aforesaid agencies referred to in section 3 of this bill. Section 5 also provides for the transfer to the Veterans' Bureau of all records, files, documents, correspondence, and other papers in the possession of the Bureau of War Risk Insurance and those which as a result of the administration of the act of June 27, 1918, and amendments thereto, are in the possession of the Rehabilitation Division of the Federal Board for Vocational Education.

Section 6. This is the decentralization section, providing for a central office in the District of Columbia and 14 regional offices and not to exceed 50 suboffices as are required to carry on the work. Such regional offices may exercise such powers for hearing complaints and for examining, rating, and awarding compensation claims, granting medical, surgical, dental, and hospital care, convalescent care, and necessary and reasonable after care, making insurance awards, granting vocational training, and all other matters delegated to them by the director as could be performed lawfully under this act by the central office. Such suboffices shall have such powers as may be delegated to them by the director except to make compensation and insurance awards, and to grant vocational training.

Section 7: This section makes the beneficiaries of the Bureau of War Risk Insurance and the Rehabilitation Division of the Federal Board for Vocational Education the beneficiaries of the Veterans' Bureau.

Section 8: This section transfers to the new bureau the funds heretofore appropriated for the use of the bureaus which are by this act consolidated in the one bureau.

Section 9 places upon the director of the bureau the responsibility for the proper examination, medical care, treatment, hospitalization, dispensary, and convalescent care, necessary and reasonable after care, welfare of, nursing, vocational training, and such other services as may be necessary in carrying out the purposes of this act.

The director is authorized to utilize the now existing or future facilities of the United States Public Health Service, the War Department, the Navy Department, the Interior Department, and the national homes for disabled volunteer soldiers, and such other governmental facilities as will be made available for the purposes set forth in this act. The aforesaid governmental agencies are authorized and directed to furnish such facilities, including personnel, equipment, medical, surgical, and hospital services, as the director may deem necessary and advisable. In order to standardize the

character of the examination, medical care and treatment, hospitalization, nursing, vocational training, and other services as may be necessary for the beneficiaries of this act, the director shall maintain an inspection service for the purpose of ascertaining whether the beneficiaries of this act are receiving the proper hospitalization, care, and treatment.

In the event that there is not sufficient governmental hospital and other facilities for the proper medical care and treatment of beneficiaries under this act, the director may recommend to the Secretary of the Treasury the further improvement or extension of existing governmental facilities or the acquiring of additional facilities in the form of new structures; and such permanent equipment when so acquired shall become a part of the existing agencies of the Government, including the War Department, Navy Department, Interior Department, Treasury Department, and National Homes for Disabled Volunteer Soldiers.

This section also provides that the director may contract with State, municipal, or private hospitals for such medical, surgical, and hospital services and supplies as may be required; and such contracts may be made for the period of not exceeding 10 years and may be for the use of a ward or other hospital unit or on such other basis as may be in the best interests of the beneficiaries under this act.

Section 10 provides that for the purposes of this act the director is authorized to detail from time to time clerks or persons employed in the bureau to make examinations into the merits of compensation and insurance claims and to aid in the preparation, presentation, or examination of such claims. Any such persons so detailed shall have the power to administer oaths, take affidavits, and certify to the correctness of papers and documents pertaining to the administration of this act.

It frequently occurs that it is necessary for field representatives to obtain affidavits for the purpose of determining the accuracy and justice of claims presented, or to obtain true copies of official papers, for which payment is now made by the Government. This section would authorize such representatives as would be designated by the director to examine persons to take affidavits or statements under oath, and the Government would thus be relieved of this added inconvenience and expenditure.

Section 11 provides that the director of the Veterans' Bureau is authorized to make such rules and regulations as may be deemed necessary in order to promote good conduct on the part of persons who are receiving care or treatment in hospitals, homes, or institutions as patients of said bureau during their stay in such hospitals, homes, or institutions. Penalties for the breach of such rules and regulations may extend to a forfeiture by the offender of such portion of the compensation payable to him, not exceeding three-fourths of the monthly installments per month for three months, for a breach committed while receiving treatment in such hospital, home, or institution as may be prescribed by such rules and regulations. This provision is placed in the law for the purpose of maintaining discipline among the patients who are receiving care or treatment in the hospitals as patients of the Veterans' Bureau.

Section 12 provides that the patients or beneficiaries of the Veterans' Bureau who are receiving treatment through such bureau, as inmates of hospitals, may allot portions of their compensation to any person or persons they may direct. It also makes provision for depositing with the Secretary of the Treasury a certain amount of their compensation, which may draw interest at the rate of 3½ per cent per annum, payable for no period, however, of less than six months.

Section 13 provides, in addition to the care, treatment, and appliances now authorized by law, that the Veterans' Bureau shall furnish, without charge therefor, hospital, dental, medical, surgical, and convalescent care and treatment and prosthetic appliances for any honorably discharged commissioned officer or enlisted man or any member of the Army Nurse Corps (female) or of the Navy Nurse Corps (female) disabled by reason of any wound or injury received or disease contracted, or by reason of any aggravation of a preexisting injury or disease while in the service of the United States on or after April 6, 1917, provided that the application for such care, treatment, and appliances shall be made within one year from the date of his discharge from the service, or from the date this act goes into effect, whichever is the later.

Section 14 provides that the director shall file with the Clerk of the House and the Secretary of the Senate on the first day of the next regular session after this act takes effect an itemized account of all expenditures made under this act, including names, classifications, and salaries of all staff officers, experts, assistants, and employees. The director is also required thereafter to make a report to Congress of his doings under this act for the preceding fiscal year.

This section was placed in the bill so that Congress might obtain full information as to the manner and extent of the organization of the new bureau under the provisions of this act.

Section 15 provides that as to converted insurance the cash surrender value thereof, if any, on the date of discharge or dismissal shall be paid the insured if living and if dead to the designated beneficiary.

Under section 29 of the war-risk insurance act a person discharged from the military or naval forces for desertion, mutiny, treason, or spying, etc., loses all his rights to insurance and compensation. In compensation and yearly renewable term insurance, where there is not a vested or property right, this seems feasible. In United States Government life insurance, however, the premium rates are fixed so that the insured secures a certain cash-surrender value in his policy as time goes on. It is believed that to attempt to cancel his right to this cash-surrender value would be in violation of the constitutional injunction against deprivation of property without due process of law and contrary to accepted jurisprudence. Accordingly this section would give such a person his cash-surrender value his property right to his insurance.

Section 16 makes provision for the benefit of those who applied for enlistment or enrollment in the military or naval forces and who were accepted provisionally and directed or ordered to the camp, post, station, or other place for final acceptance in such service. Such persons shall be considered to be in active service during the period while they are complying with such order or direction and, during such compliance and until their final acceptance or rejection

for enlistment or enrollment into the military or naval forces, and shall be entitled to the compensation and insurance benefits of the war-risk insurance act.

Provision has heretofore been made for those who were "inducted into the service by the local draft board after the 6th day of April, 1917, and before the 11th day of November, 1918, who, while in such service and before being accepted and enrolled for active military or naval service, becomes totally or permanently disabled or dies without having applied for insurance, shall be deemed to have applied for and to have been granted insurance payable to such person during his life in monthly installments of \$25 each."

Provision is also made that any insurance application made by a person after induction by a local draft board, but before being accepted and enrolled for active service, shall be deemed valid.

Section 16 of the bill extends the benefits of the war risk insurance act under certain conditions to the men who voluntarily applied for enlistment in the military or naval forces and were accepted provisionally.

Section 17 of the act relieves the bureau from the recovery of allotments and allowances erroneously paid, except where it is shown that the person receiving the allowance does not bear the relationship to the enlisted man which is required by the war risk insurance act and except also in cases of manifest fraud.

In view of the expense to the Government of endeavoring to make further collections of overpayments of the kind above outlined, and in view of the hardship such a procedure generally entails to persons who have received the overpayments, many of whom are now unable to make restitution, and most of whom accepted the payments in perfect good faith, recovery should not be sought except where the person has received an allowance through fraud or where a person does not bear the relationship to the enlisted man required by the war risk insurance act.

Section 18 provides not only that compensation shall be paid to the commissioned officer or enlisted man or his dependents in case of death or disability, but compensation may be paid the commissioned officer or enlisted man or his dependents for an aggravation of a disability existing prior to an examination, acceptance, and enrollment for service, when such aggravation was suffered and contracted in line of duty on and after April 6, 1917.

Section 300 of the war-risk insurance act as amended December 24, 1919, provides that any person who was admitted into the service should by reason of that fact be regarded as in sound health.

Many men were taken into service in whom diseases or defects were not detected at time of examination, but which were brought rapidly to head when the arduous work of training began. It may be that during an emergency when men were drafted into the service the attitude of regarding all accepted men as sound was justified, but it has caused the payment of a large amount of money, and it seems doubtful if this policy should be continued hereafter, while voluntary enlistments are accepted, for the tendency will be to encourage the enlistment of men with known latent diseases and defects so that they may shift the care of these diseases and defects upon the Government where it does not belong. To correct this, section 18 would amend section 300 of the war-risk insurance act to provide

that in the case of persons discharged after passage of this act the presumption of soundness would not exist automatically and that persons thereafter entering the military or naval service should be compensable only for such diseases or injuries or aggravations thereof as are actually suffered in the military or naval service; excepting that persons taken into service on or before the armistice and who have not yet been discharged shall continue to be held to have been in sound health at entrance.

Under the act as it now stands all the compensation payments including the amount granted to ex-service persons and the amount granted their beneficiaries, either wife, children, or parents, must be given to the man, except where his wife or children are living apart from him, when it may be apportioned. There are many instances of dependent parents whose ex-service children are mentally incompetent and in their case there is a great deal of difficulty in having the extra amounts payable under the law for such dependent parents reach the persons for whom they are intended. This amendment also permits separation of the award so that the portion for parents may be sent to them where such division of payments is deemed necessary.

Section 19 is to clarify section 305 of the war-risk insurance act which does not now set forth clearly when an increase in award made upon revision shall take effect.

Section 305 of the war-risk insurance act of October 6, 1917, permits the bureau, acting upon its own motion, or upon application, to revise an award previously made in accordance with the facts found and to increase or diminish such award. The section is not sufficiently clear as to whether an increase of the award made upon revision may be made to correspond with the date of the increased physical disability of the soldier in accordance with the true state of facts, or whether the increased award can be effective only from the date on which the new revised award is made.

It is highly desirable that it be made clear, because it would be inequitable to the ex-service men if the bureau were estopped in making its reratings from giving a rating corresponding both in degree of disability and in date of the inception of the disability or the increased disability, in accordance with the true facts of each individual case. This is especially true because in the past it has been necessary in handling thousands of cases to make a preliminary award, despite the fact that complete data was not in hand, when the data available clearly indicated that the claimant had suffered some disability. Furthermore, in many ailments, such as tuberculosis and mental and nervous diseases, it is frequently impossible to fix with precision the exact degree of disability until experience and treatment have revealed the patient's true condition. Experience has taught that many ratings made pursuant to the incomplete examinations of physicians throughout the country have been found in practice to be inaccurate and consequently unfair to the claimant who is properly entitled under the war-risk insurance act to compensation for the true degree of disability without being penalized for errors in diagnosis, inadequacy of medical evidence submitted, and administrative delays or errors arising in part from the large number of cases under consideration.

Section 20 extends the period for obtaining a certificate from the director to the effect that the injured person at the time of his discharge or resignation was suffering from injury likely to result in death or disability.

It further provides for the extension of the period during which such certificate may be obtained for one year after the passage of this act. Under the law as it now stands the disabled person has one year from the date of discharge in which to obtain such certificate.

A large number of ex-service men, through ignorance of their rights or knowledge of how to proceed, have failed to procure the certificate of disability provided for in section 306 of the war risk insurance act. That act provided that such certificate must be obtained within one year from discharge. Members in the House and Senate have declared this time is too short, and experience has shown that this view is correct.

Section 21 is an amendment to subsection 2 of section 313 of the war risk insurance act by adding thereto subsection 2a.

The Veterans' Bureau is authorized to pay the beneficiary or other person or persons in whose name an action may have been commenced or prosecuted fees and mileage the same as is now paid the witnesses in the United States court in going to, remaining at, and returning from the place of trial without regard to the court where the action is brought.

It is also provided in this section that in all cases of assignment of causes of action under section 313, whether the assignment be heretofore or hereafter made, where it shall appear to the director to be to the best interests of the person so to do, the director, acting in the name of the United States, may assign the cause of action back to the beneficiary or his personal representative.

Section 22 provides that where a beneficiary at the time of designation by the insured is within the permitted class of beneficiaries and is the designated beneficiary at the time of the maturity of the insurance, because of the death of the insured, such beneficiary shall be deemed to be within the permitted class even though the status of such beneficiary shall have been changed.

In practice it has frequently occurred that the insured in his lifetime has designated a person who was then in the permitted class, such, for example, as a stepmother. Subsequent events occurring before the death of the insured, as the death of the insured's father, without issue, technically changed the status of the stepmother, so that at the time of the death of the insured she is not, under the law, as interpreted by the Attorney General in an opinion of June 21, 1920, still legally his stepmother. It therefore becomes impossible to make an award to her at the insured's death.

Section 22 is placed in the bill to remedy this situation, which results in the defeat of the clearly expressed intent of the insured as to the person to receive his insurance.

Section 23 provides that in cases where the insured whose yearly renewable term insurance has matured by reason of total permanent disability is found to be no longer totally and permanently disabled and where the insured is required under regulations to renew payment of premiums on said term insurance, and where this contingency has extended beyond the five-year period during which said yearly renewable term insurance otherwise must be converted, there shall be

given such insured and additional period of two years from the date on which he is required to renew payment of premiums in which to convert said term insurance, as hereinbefore provided.

Section 24 is practically the same as section 6 of the Wason bill which passed the House and Senate. Any person holding term insurance may convert this into United States Government life insurance without medical examination, whereupon all death claims must be paid out of the converted or United States Government life insurance fund. This fund is made up wholly from premiums paid by the insured ex-service persons on their converted insurance. It follows that if a soldier, disabled by cause of the hazards of war, converts his term insurance and dies as a result of the war hazard, under present circumstances this payment is not borne by the United States as the act provided, but, instead, is shifted to the United States Government life insurance fund. Thus the burden of excess mortality is borne by premiums collected from those persons whose health was not impaired, and it is not borne by the Government as originally provided.

Section 25 provides for cases where the estate of the insured would escheat under the laws of the place of his residence, the insurance shall not be paid to the estate of the insured, but shall escheat to the United States, and shall be credited to the United States Government life insurance fund, or military and naval insurance appropriation, as may be proper.

In some States the law would cause the United States Government to pay to the State government insurance for which there were no living beneficiaries. This section is to avoid the practice of paying these funds to the State treasury under these circumstances.

Section 26 for the first time makes provision for the reinstatement of lapsed insurance under certain conditions. Heretofore the question of the reinstatement of lapsed insurance has been a matter entirely under the rules and regulations of the War Risk Insurance Bureau. The question is simply this: Shall persons suffering from injury or disease resulting from the World War, who are not permanently and totally disabled, be permitted to reinstate their lapsed or canceled term insurance or Government life insurance (converted insurance) providing they conform to all the rules, regulations, and requirements relative to the reinstatement, except as to the condition of their health? Your committee after due consideration thought it advisable to make this a matter of legislation rather than for departmental regulations.

It would appear to be equitable and fair when it is remembered that as a matter of fact in most of the instances the reason the disabled soldier failed to keep up his insurance was that he was short of funds and it took the Government some time to investigate and grant his compensation, and that because of this financial stringency he allowed his insurance to lapse.

Section 26 provides, however, that before reinstatement can be accomplished by the applicant, he shall be required to pay all back monthly premiums, which would have become payable if such insurance had not lapsed.

Section 27 is practically the same as section 5 of the Wason bill as it passed the House and Senate, which relieved from the payment of premiums on yearly renewable term insurance men whose physical

condition was such that they could not earn their own livelihood during the period of such inability. This section, however, made this relief rather more general than the evident intent of Congress in creating the original act. It is believed that such relief should be granted ex-service persons while they actually are in a hospital and thus are unable to work, and to persons while they are rated temporarily totally disabled.

Section 27 is the same as section 5 of the Wason bill, excepting that it applies to converted insurance as well as yearly renewable term insurance, and the provision in regard to relief from the payment of premiums by those who are receiving vocational training is stricken out.

Section 28 provides that the Postmaster General is authorized to receive premiums on yearly renewable term insurance, and United States Government life insurance (converted insurance) and act for and turn over to the Secretary of the Treasury the money so received. He is also authorized to receive and transmit to the Veterans' Bureau applications for converted insurance and applications for reinstatement of lapsed insurance. This is to be done under such rules and regulations as the Secretary of the Treasury and the Postmaster General may prescribe.

Every soldier, sailor, and marine who desires to pay insurance premiums or desires to make an application for reinstatement of lapsed insurance or for converted insurance may go to the post office at the place of his residence and the postmaster will receive the insurance premiums and give him a receipt therefor, and his application for reinstatement or for converted insurance will be transmitted immediately to the Veterans' Bureau.

Section 29 provides that, subject to the provisions of section 29 of the war-risk insurance act and amendments thereto, policies of insurance heretofore or hereafter issued in accordance with Article IV of the war-risk insurance act, shall be incontestable after six months from the date of issuance or reinstatement, except for fraud or nonpayment of premiums.

It is the opinion of your committee that a provision of this kind placed in the law would add stability to the policies issued or hereafter issued by the Government and give assurance that only in case of fraud or nonpayment of premiums would payment of the insurance be denied. A provision similar to this is usually found in the policies issued by private companies and has been found to be mutually beneficial to all concerned.

Representatives of the Treasury Department, the Bureau of War Risk Insurance, the United States Public Health Service, and the Rehabilitation Division of the Federal Board for Vocational Education, and certain Members of Congress, appeared before your committee during the hearings and approved in principle, if not technically, without exception, the consolidation of all agencies of the Government for the benefit of the disabled ex-service men, and the proposed amendments to the war-risk insurance act.