

WAIVER OF NATIONAL SERVICE LIFE INSURANCE PREMIUMS FOR CERTAIN TOTALLY DISABLED VETERANS

MAY 19, 1960.—Ordered to be printed

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

R E P O R T

[To accompany H.R. 10703]

The Committee on Finance, to whom was referred the bill (H.R. 10703) to grant a waiver of national service life insurance premiums to certain veterans who became totally disabled in line of duty between the date of application and the effective date of their insurance, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

GENERAL EXPLANATION

This bill, which was introduced at the request of the Veterans' Administration, seeks to authorize a waiver of national service life insurance premiums to those veterans who became totally disabled in line of duty between the date of application and the effective date of their insurance. It would apply to veterans of World War II and the early Korean conflict only.

The bill would require application for its benefits within 2 years after enactment and an extension of time for applying would be provided for insane persons and minors. The legislation could revive certain lapsed contracts of insurance, but would preclude payment in any case where the servicemen's indemnity or gratuitous disability insurance had been paid.

The Veterans' Administration was not able to provide an estimate of cost; however, in its report the agency stated that it believed it to be relatively small.

The Veterans' Administration advocated the introduction and enactment of this legislation, as indicated in the following letter to the Speaker of the House of Representatives:

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., February 19, 1960.

HON. SAM RAYBURN,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: There is transmitted herewith a draft of a bill to authorize a waiver of national service life insurance premiums to certain veterans who became totally disabled in line of duty between the date of application and the effective date of their insurance.

The bill would add a new subsection (d) to section 612 of title 38, United States Code, to grant a waiver of payment of national service life insurance premiums, upon application, in any case in which an insured, during World War II or the early Korean conflict, became totally disabled in line of duty after making application for insurance and prior to the effective date thereof and remained continuously totally disabled to date of death or the date of enactment, whichever is earlier. A waiver of premiums under this subsection would render the insurance nonparticipating while the waiver is in effect.

Under the National Service Life Insurance Act of 1940, insurance could be made effective subsequent to the date of application but not later than the first day of the following month. During World War II cases arose in which servicemen applied for insurance with a later effective date and thereafter died in line of duty prior to that date. It is understood that at certain posts the selection of a deferred effective date was suggested to the applicant for reasons of administrative convenience. In other cases, certain servicemen, although in hazardous service, were perhaps not aware or apprised of the possible consequences. To provide relief in that type of case the Congress, by section 8 of the Insurance Act of 1946 (Public Law 539, 79th Cong., Aug. 1, 1946), amended the law to require the Government to assume liability for the amount of insurance applied for, notwithstanding the applicant's death before the effective date.

The 1946 amendment did not cover the related hardship cases in which the insured did not die but became totally disabled in line of duty before the postdated effective date of his insurance. The insureds in these cases, although totally disabled, are not eligible for a waiver of premiums because the law requires that the disability must have begun while the insurance was in force. The draft bill, if enacted, would authorize waiver of premiums in these cases if the insured remained totally disabled until the date of his death or the date of enactment, whichever is earlier. In addition to covering World War II total disability cases, the draft bill also applies to similar cases during that portion of the Korean conflict when insurance could be issued to persons in the active service.

The proposal would require an application for its benefits within 2 years after the date of enactment. An extension of the time for applying would be provided for insane persons and minors. The bill could revive certain lapsed contracts of insurance but would preclude payment of benefits in any case where servicemen's indemnity or certain gratuitous veterans' disabled insurance has been paid. Any insurance placed in force by reason of the proposal together with any other Government insurance in force could not exceed \$10,000 and would be reduced by any award of so-called World War II gratuitous insurance.

The proposal would render the insurance nonparticipating during the period the premiums are waived. This would permit a setoff of any dividends which may have been paid on such insurance against any premium refund under the bill and preclude future dividends while the waiver continues. Since the gratuitous waiver of premiums would be at the expense of the Government, it is believed that the insured should not also be paid dividends on his insurance contract during the period of the waiver.

Data are not available upon which to base an accurate estimate of the cost of the draft bill, if enacted. However, it is believed that it would be relatively small.

This proposal would provide equitable relief in a small number of meritorious cases and is thought to constitute a logical extension of the policy adopted by the Congress in the case of death in line of duty prior to the effective date of insurance. It would provide essentially uniform treatment to these two similar groups.

In view of the foregoing, it is respectfully requested that the proposed legislation be introduced and considered for enactment as soon as possible.

The Bureau of the Budget advises that there is no objection to the presentation of the draft bill to the Congress for its consideration.

Sincerely yours,

SUMNER G. WHITTIER,
Administrator.

CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets; new matter is printed in italics; existing law in which no change is proposed is shown in roman):

§ 712. TOTAL DISABILITY WAIVER

(a) Upon application by the insured and under such regulations as the Administrator may promulgate, payment of premiums on insurance may be waived during the continuous total disability of the insured, which continues or has continued for six or more consecutive months, if such disability began (1) after the date of his application for insurance, (2) while the insurance was in force under premium-paying conditions, and (3) before the insured's sixtieth birthday.

(b) The Administrator, upon any application made after August 1, 1947, shall not grant waiver of any premium becoming due more than one year before the receipt in the Veterans' Administration of application for the same, except as provided in this section. Any premiums paid for months during which waiver is effective shall be refunded. The Administrator shall provide by regulations for examination or reexamination of an insured claiming benefits under this section, and may deny benefits for failure to cooperate. If it is found that an insured is no longer totally disabled, the waiver of premiums shall cease as of the date of such finding and the policy of insurance may be continued by payment of premiums as provided in said policy. In any case in which the Administrator finds that the insured's failure to make timely application for waiver of premiums or his failure to submit satisfactory evidence of the existence or continuance of total

disability was due to circumstances beyond his control, the Administrator may grant waiver or continuance of waiver of premiums.

(c) If the insured dies without filing application for waiver, the beneficiary, within one year after the death of the insured, or, if the beneficiary is insane or a minor, within one year after removal of such legal disability, may file application for waiver with evidence of the insured's right to waiver under this section. Premium rates shall be calculated without charge for the cost of waiver of premiums provided in this section and no deduction from benefits otherwise payable shall be made on account thereof.

(d) *In any case in which an insured has been denied or would have been denied premium waiver under section 602(n) of the National Service Life Insurance Act of 1940 or this section solely because he became totally disabled between the date of valid application for insurance and the subsequent effective date thereof, and in which it is shown that (1) the total disability was incurred in line of duty between October 8, 1940, and July 31, 1946, inclusive, or June 27, 1950, and April 30, 1951, inclusive, and (2) the insured remained continuously so totally disabled to the date of death or the date of enactment of this subsection, whichever is earlier, the Administrator may grant waiver of premiums from the beginning of and during the continuous total disability of such insured. Application for waiver of premiums under this subsection must be filed by the insured or, in the event of his death, by the beneficiary within two years after the date of enactment of this subsection, except that if the insured or the beneficiary is insane or a minor within the two-year period, application for such waiver may be filed within two years after removal of such legal disability, or if an insane insured shall die before the removal of the disability, application may be filed by the beneficiary within two years after the insured's death. No insurance shall be placed in force under this subsection in any case in which there was an award of benefits under the Servicemen's Indemnity Act of 1951 or of gratuitous insurance under section 722(b) of this title. The amount of insurance placed in force hereunder together with any other United States Government life insurance or national service life insurance in force at the time of death, or at the time of the insured's application for waiver hereunder, may not exceed \$10,000 and shall be reduced by the amount of any gratuitous insurance awarded under the National Service Life Insurance Act of 1940. Waiver of premiums under this subsection shall render the insurance nonparticipating during the period such premium waiver is in effect. The cost of waiver of premium and death benefits paid as a result of this subsection shall be borne by the United States.*

