

WAR-RISK INSURANCE

HEARING

BEFORE THE

SUBCOMMITTEE OF THE COMMITTEE ON FINANCE UNITED STATES SENATE

SIXTY-FIFTH CONGRESS

FIRST SESSION

ON

H. R. 5723

AN ACT TO AMEND AN ACT ENTITLED "AN ACT TO AUTHORIZE
THE ESTABLISHMENT OF A BUREAU OF WAR-RISK INSURANCE
IN THE TREASURY DEPARTMENT," APPROVED SEPTEMBER 2,
1914, AND FOR OTHER PURPOSES

SEPTEMBER 18, 1917

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WAR-RISK INSURANCE.

TUESDAY, SEPTEMBER 18, 1917.

UNITED STATES SENATE,
SUBCOMMITTEE ON FINANCE,
Washington, D. C.

The subcommittee met at 11 o'clock a. m., pursuant to call, in the Education and Labor Committee room, Capitol, Senator John Sharp Williams presiding.

Present: Senators Williams (chairman), Smith of Georgia, and Smoot.

The committee proceeded to the consideration of the bill (H. R. 5723) "An act to amend an act entitled 'An act to authorize the establishment of a Bureau of War-Risk Insurance in the Treasury Department,' approved September 2, 1914, and for other purposes," as follows:

AN ACT To amend an act entitled "An act to authorize the establishment of a Bureau of War-Risk Insurance in the Treasury Department," approved September second, nineteen hundred and fourteen, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled. That the first section of the act entitled "An act to authorize the establishment of a Bureau of War-Risk Insurance in the Treasury Department," approved September second, nineteen hundred and fourteen, as amended, is hereby amended to read as follows:

"ARTICLE I.

"SECTION 1. That there is established in the Treasury Department a bureau to be known as the Bureau of War-Risk Insurance, the director of which shall receive a salary at the rate of \$5,000 per annum.

"That there be in such bureau a division of marine and seamen's insurance and a division of military and naval insurance in charge of a commissioner of marine and seamen's insurance and a commissioner of military and naval insurance, respectively, each of whom shall receive a salary of \$4,000 per annum."

SEC. 2. That such act of September second, nineteen hundred and fourteen, as amended, is hereby amended by adding new sections, as follows:

"SEC. 12. That sections two to nine, inclusive, shall be construed to refer only to the division of marine and seamen's insurance.

"SEC. 13. 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 have full power and authority to make rules and regulations, not inconsistent with the provisions of this act, necessary or appropriate to carry out its purposes, and shall decide all questions arising under the act, except as otherwise provided in sections five and four hundred and five. Wherever under any provision or provisions of the act regulations are directed or authorized to be made, such regulations, unless the context otherwise requires, shall or may be made by the director, subject to the general direction

of the Secretary of the Treasury. The director shall adopt reasonable and proper rules to govern the procedure of the divisions, to regulate the matter of the compensation, if any, to be paid to claim agents and attorneys for services in connection with any of the matters provided for in Articles II, III, and IV, and to regulate and provide for the nature and extent of the proofs and evidence and the method of taking and furnishing the same in order to establish the right to benefits of allowance, allotment, compensation, or insurance provided for in this act, the forms of application of those claiming to be entitled to such benefits, the method of making investigations and medical examinations, and the manner and form of adjudications and awards.

"SEC. 14. That the bureau and its divisions shall have such deputies, assistants, actuaries, clerks, and other employees as may be from time to time provided by Congress. The bureau shall, so far as practicable, by arrangement with the Secretary of War and the Secretary of the Navy respectively, make use of the services of surgeons in the Army and Navy. The Secretary of the Treasury is authorized to establish an advisory board consisting of three members skilled in the practice of insurance against death or disability for the purpose of assisting the division of military and naval insurance in fixing premium rates and in the adjustment of claims for losses under the contracts of insurance provided for in article four and in adjusting claims for compensation under article three; compensation for the persons so appointed to be determined by the Secretary of the Treasury, but not to exceed \$20 a day each while actually employed.

"SEC. 15. That for the purposes of this act the director, commissioners, and deputy commissioners shall have power to issue subpoenas for and compel the attendance of witnesses within a radius of one hundred miles, to require the production of books, papers, documents, and other evidence, to administer oaths, and to examine witnesses upon any matter within the jurisdiction of the bureau. The director may obtain such information and such reports from officials and employees of the departments of the Government of the United States and of the States as may be agreed upon by the heads of the respective departments. In case of disobedience to a subpoena the bureau may invoke the aid of any district court of the United States in requiring the attendance and testimony of witnesses and the production of documentary evidence, and such court, within the jurisdiction of which the inquiry is carried on, may, in case of contumacy or refusal to obey a subpoena issued to any officer, agent, or employee of any corporation or other person, issue an order requiring such corporation or other person to appear before the bureau, or to give evidence touching the matter in question; and any failure to obey such order of the court may be punished by such court as a contempt thereof. Any person so required to attend as a witness shall be allowed and paid the same fees and mileage as are paid witnesses in the district courts of the United States.

"SEC. 16. That the director shall submit annually to the Secretary of the Treasury estimates of the appropriations necessary for the work of the bureau.

"SEC. 17. That for the purpose of carrying out the provisions of this act there is hereby appropriated, out of any moneys in the Treasury not otherwise appropriated, the sum of \$100,000, for the payment of all expenses incident to the work authorized under this act, including salaries of the director and commissioners and of such deputies, assistants, accountants, experts, clerks, and other employees in the District of Columbia or elsewhere, as the Secretary of the Treasury may deem necessary, traveling expenses, rent and equipment of offices, typewriters and exchange of same, purchase of law books and books of reference, printing and binding to be done at the Government Printing Office, and all other necessary expenses. With the exception of the director, the commissioners, and such special experts as the Secretary of the Treasury may from time to time find necessary for the conduct of the work of the bureau, all employees of the bureau shall be appointed from lists of eligibles to be supplied by the Civil Service Commission and in accordance with the civil-service law.

"SEC. 18. That there is hereby appropriated from any money in the Treasury not otherwise appropriated the sum of \$141,000,000, to be known as the military and naval family allowance appropriation, for the payment of the family allowances provided by Article II. Payments out of this appropriation shall be made upon and in accordance with awards by the commissioner of the division of military and naval insurance.

"SEC. 19. That there is hereby appropriated, from any money in the Treasury not otherwise appropriated, the sum of \$12,150,000, to be known as the military

and naval compensation appropriation, for the payment of the compensation, funeral expenses, services, and supplies provided by Article III. Payments out of this appropriation shall be made upon and in accordance with awards by the director.

"Sec. 20. That there is hereby appropriated, from any money in the Treasury not otherwise appropriated, the sum of \$23,000,000, to be known as the military and naval insurance appropriation. All premiums that may be collected for the insurance provided by the provisions of Article IV shall be deposited and covered into the Treasury to the credit of this appropriation.

"Such sum, including all premium payments, is hereby made available for the payment of the liabilities of the United States incurred under contracts of insurance made under the provisions of Article IV. Payments from this appropriation shall be made upon and in accordance with awards by the director.

"Sec. 21. That there shall be set aside as a separate fund in the Treasury, to be known as the military and naval pay deposit fund, all sums held out of pay as provided by section two hundred and three of this act. Such fund, including all additions, is hereby made available for the payment of the sums so held and deposited, with interest, as provided in section two hundred and three, and the amount necessary to pay interest is hereby appropriated.

"Sec. 22. That for the purpose of this act marriage shall be conclusively presumed, in the absence of proof, that there is a legal spouse living, if the man and woman have lived together in the openly acknowledged relation of husband and wife during the two years immediately preceding the date of the declaration of war, or the date of enlistment or of entrance into or employment in active service in the military or naval forces of the United States if subsequent to such declaration or during the two years immediately preceding the man's death or the beginning of the disability."

In Articles II, III, and IV of this act unless the context otherwise requires—

"(1) The term 'child' includes—

"(a) A legitimate child.

"(b) A child legally adopted more than six months before the approval of this act or enlistment or entrance into or employment in active service in the military or naval forces of the United States, whichever of these dates is the later.

"(c) A stepchild if a member of the man's household.

"(d) An illegitimate child, but as to the father only if acknowledged by him or if he has been judicially ordered or decreed to contribute to such child's support.

"(2) The term 'grandchild' means a child as above defined of a child as above defined.

"(3) Except as used in the last sentence of subdivision (g) of section three hundred and one and in section four hundred and one and in section four hundred and two the terms 'child' and 'grandchild' are limited to unmarried persons either (a) under eighteen years of age or (b) of any age if incapable because of mental or physical infirmity of pursuing any substantially gainful occupation.

"(4) The term 'parent' includes a father, mother, grandfather, grandmother, stepfather, and stepmother, either of the person in the service or of the spouse.

"(5) The terms 'brother' and 'sister' include brothers and sisters of the half blood as well as those of the whole blood, stepbrothers and stepsisters, and brothers and sisters through adoption.

"(6) The term 'commissioned officer' includes a warrant officer, an Army field clerk, and a field clerk, Quartermaster Corps, but includes only an officer in active service in the military or naval forces of the United States.

"(7) The terms 'man' and 'enlisted man' mean a person, whether male or female, and whether enlisted, enrolled, or drafted into active service in the military or naval forces of the United States, and include noncommissioned and petty officers.

"(8) The term 'enlistment' includes voluntary enlistment, draft, and enrollment in active service in the military or naval forces of the United States.

"(9) The term 'commissioner' means the commissioner of military and naval insurance.

"(10) The term 'injury' includes disease.

"(11) The term 'pay' means the pay for service in the United States according to grade and length of service, excluding all allowances.

"(12) The term 'military or naval forces' means the Army, the Navy, the Marine Corps, the Coast Guard, the Naval Reserves, the National Naval Volunteers, and any other branch of the United States service while serving pursuant to law with the Army or the Navy.

"Sec. 23. That when, by the terms of this act, any payment is to be made to a person mentally incompetent or a minor, such payment shall be made to some suitable person, corporation, or association, as may be prescribed by regulations for the benefit of the person entitled thereto.

"Sec. 24. That the Bureau of War-Risk Insurance, so far as practicable, shall furnish information to and act for persons in the military or naval service, with respect to any contracts of insurance whether with the Government or otherwise, as may be prescribed by regulations. Said bureau shall procure from and keep a record of the amount and kind of insurance held by every commissioned and appointive officer and of every enlisted man in the military or naval service of the United States, including the name and principal place of business of the company, society, or organization in which such insurance is held, the date of the policy, amount of premium, name and relationship of the beneficiary, and such other data as may be deemed of service in protecting the interests of the insured and beneficiaries.

"Sec. 25. That whoever in any claim for family allowance, compensation, or insurance, or in any document required by this act or by regulation made under this act, makes any statement of a material fact knowing it to be false, shall be guilty of perjury and shall be punished by a fine of not more than \$5,000, or by imprisonment for not more than two years, or both.

"Sec. 26. That if any person entitled to payment of family allowance or compensation under this act, whose right to such payment under this act ceases upon the happening of any contingency, thereafter fraudulently accepts any such payment, he shall be punished by a fine of not more than \$2,000, or by imprisonment for not more than one year, or both."

ARTICLE II.

ALLOTMENTS AND FAMILY ALLOWANCES.

SEC. 200. That the provisions of this article shall apply to all enlisted men in the military or naval forces of the United States.

SEC. 201. That allotment of pay shall, subject to the conditions, limitations, and exceptions hereinafter specified, be compulsory as to wife, a former wife divorced who has not remarried, and a child, and voluntary as to any other person; but on the written consent of the wife or former wife divorced, supported by evidence satisfactory to the bureau of her ability to support herself and the children in her custody, the allotment for her and for such children may be waived; and on the enlisted man's application or otherwise for good cause shown, exemption from the allotment may be granted upon such conditions as may be prescribed by regulations.

The monthly compulsory allotment shall be in an amount equal to the family allowance hereinafter specified except that it shall not be more than one-half the pay, or less than \$15; but for a wife living separate and apart under court order or written agreement or for a former wife divorced, it shall not exceed the amount specified in the court order or agreement to be paid to her.

If there be an allotment for a wife or child, a former wife divorced and who has not remarried shall be entitled to a compulsory allotment only out of the difference, if any, between the allotment for the wife or child or both and one-half of the pay.

SEC. 202. That the enlisted man may allot any proportion or proportions or any fixed amount or amounts of his monthly pay or of the proportion thereof remaining after the compulsory allotment for such purposes and for the benefit of such person or persons as he may direct, subject, however, to such conditions and limitations as may be prescribed under regulations to be made by the Secretary of War and the Secretary of the Navy, respectively.

SEC. 203. That in case one-half of an enlisted man's monthly pay is not allotted, regulations to be made by the Secretary of War and the Secretary of the Navy, respectively, may require, under such circumstances and conditions as may be prescribed in such regulations, that any proportion of such one-half pay as is not allotted shall be deposited to his credit, to be held during such period of his service as may be prescribed. Such deposits shall bear interest

at the rate of four per centum per annum, with semiannual rests and, when payable, shall be paid principal and interest to the enlisted man, if living, otherwise to any beneficiary or beneficiaries he may have designated, or if there be no such beneficiary, then to his next of kin.

SEC. 204. That a family allowance of not exceeding \$50 per month shall be granted and paid by the United States upon written application to the bureau by such enlisted man or by or on behalf of any prospective beneficiary, in accordance with and subject to the conditions, limitations, and exceptions herein-after specified.

The family allowance shall be paid from the time of enlistment to death in or one month after discharge from the service, but not for more than one month after the termination of the present war emergency. No family allowance shall be made for any period preceding declaration of war. The payment shall be subject to such regulations as may be prescribed relative to cases of desertion and imprisonment and of missing men.

Subject to the conditions, limitations, and exceptions hereinabove and hereinafter specified, the family allowance payable per month shall be as follows:

Class A. In the case of a man, to his wife (including a former wife divorced) and to his child or children:

- (a) If there be a wife but no child, \$15.
- (b) If there be a wife and one child, \$25.
- (c) If there be a wife and two children, \$32.50, with \$5 per month additional for each additional child.
- (d) If there be no wife, but one child, \$5.
- (e) If there be no wife, but two children, \$12.50.
- (f) If there be no wife, but three children, \$20.
- (g) If there be no wife, but four children, \$30, with \$5 per month additional for each additional child.

Class B. In the case of a man or woman, to a grandchild, a parent, brother, or sister:

- (a) If there be but one parent, \$10.
 - (b) If there be two parents, \$20.
 - (c) For each grandchild, brother, sister, and additional parent, \$5.
- In the case of a woman, to a child or children:
- (d) If there be one child, \$5.
 - (e) If there be two children, \$12.50.
 - (f) If there be three children, \$20.
 - (g) If there be four children, \$30, with \$5 per month additional for each additional child.

SEC. 205. That family allowances for members of class A shall be paid only if and while a compulsory allotment is made to a member or members of such class. The monthly family allowance to a former wife divorced shall be payable only out of the difference, if any, between the monthly family allowance to the other members of class A and the sum of \$50. For a wife living separate and apart under court order or written agreement or to a former wife divorced the monthly allowance, together with the allotment, if any, shall not exceed the amount specified in the court order or agreement to be paid to her.

SEC. 206. That family allowances to members of class B shall be granted only if and while the member is dependent in whole or in part on the enlisted man, and then only if and while the enlisted man makes a monthly allotment of his pay for such member or members equal to the amount of the monthly family allowance as hereinabove specified, except that—

- (a) The maximum monthly allotment so required to be made to members of class B shall be one-half of his pay.
- (b) If he is making no allotment to a member of class A, the minimum monthly allotment so designated to be made to members of class B shall be \$15 per month.
- (c) If he is making the compulsory allotment to a member of class A, the minimum monthly allotment so designated to be made to members of class B shall be one-seventh of his pay, but not less than \$5 per month.

On the enlisted man's application, or otherwise for good cause shown, exemption from the allotment as a condition to the allowance may be granted, upon such conditions as may be prescribed by regulations.

SEC. 207. That the amount of the family allowance to members of class B shall be subject to each of the following limitations:

- (a) If an allowance is paid to one or more beneficiaries of class A, the total allowance to be paid to the beneficiaries of class B shall not exceed the difference between the allowance paid to the beneficiaries of class A and the sum of \$50.

(b) The total monthly allowance to beneficiaries of class B added to the enlisted man's monthly allotment to them shall not exceed the average sum habitually contributed by him to their support monthly during the period of dependency but not exceeding a year immediately preceding his enlistment or the enactment of this amendment.

SEC. 208. That as between a wife, including a former wife divorced, and the children not in her custody, and as between children, the amount of the allotment and family allowance shall be apportioned as may be prescribed by regulations.

SEC. 209. That allotments and family allowances shall be paid to or for the beneficiaries, as may be provided by regulations to be made by the Secretary of War and the Secretary of the Navy, respectively.

SEC. 210. That upon receipt of any application for family allowance the commissioner shall make all proper investigations and shall make an award, which award shall be certified to the War Department or Navy Department, as may be proper. Whenever the commissioner shall have reason to believe that an allowance has been improperly made or that the conditions have changed, he shall investigate or reinvestigate and may modify the award. The amount of each monthly allotment and allowance shall be determined according to the conditions then existing.

ARTICLE III.

COMPENSATION FOR DEATH OR DISABILITY.

SEC. 300. That for death or disability resulting from personal injury suffered or disease contracted in the course of the service in the line of duty, by any commissioned officer or enlisted man or by any member of the Army Nurse Corps (female) or of the Navy Nurse Corps (female) when employed in the active service under the War Department or Navy Department, the United States shall pay compensation as hereinafter provided.

SEC. 301. That if death results from injury—

If from a marriage contracted before or within ten years after the injury the deceased leaves a widow or child, or if he leaves a widowed mother substantially dependent upon him for support, the monthly compensation shall be the following percentages of his pay:

- (a) For a widow alone, \$35.
- (b) For a widow and one child, \$45.
- (c) For a widow and two children, \$52.50, with \$5 for each additional child up to two.
- (d) If there be no widow, then for one child, \$20.
- (e) For two children, \$35.
- (f) For three children, \$45, with \$10 for each additional child up to two.
- (g) For a widowed mother, \$30. The amount payable under this subdivision shall not be greater than a sum which, when added to the total amount payable to the widow and children, does not exceed \$75. This compensation shall be payable for the death of but one child, and no compensation for the death of a child shall be payable if such widowed mother is in receipt of compensation under the provisions of this article for the death of her husband. Such compensation shall be payable whether her widowhood arises before or after the death of the person and whenever her condition is such that if the person were living the widowed mother would have been substantially dependent upon him for support.

If the death occurs after discharge or resignation from service, the United States shall pay burial expenses not to exceed \$100, as may be fixed by regulations.

The payment of compensation to a widow or widowed mother shall continue until her death or remarriage.

The payment of compensation to or for a child shall continue until such child reaches the age of eighteen years or marries, or if such child be incapable, because of mental or physical infirmity, of pursuing any substantially gainful occupation, then until marriage or death or until such incapacity ceases.

Whenever the compensation payable to or for the benefit of any person under the provisions of this section is terminated by the happening of the contingency upon which it is limited, the compensation thereafter for the remaining beneficiary or beneficiaries, if any, shall be the amount which would have been payable to them if they had been the sole original beneficiaries.

As between the widow and the children not in her custody, and as between children, the amount of the compensation shall be apportioned as may be prescribed by regulations.

Sec. 302. That if disability results from the injury—

(1) If and while the disability is total so as to make it impracticable for the injured person to pursue any gainful occupation, the monthly compensation shall be the following amounts:

- (a) If he has neither wife nor child living, \$40.
- (b) If he has a wife but no child living, \$55.
- (c) If he has a wife and one child living, \$65.
- (d) If he has a wife and two or more children living, \$75.
- (e) If he has no wife, but one child living, \$50, with \$10 for each additional child up to two.
- (f) If he has a widowed mother substantially dependent on him for support, then, in addition to the above, \$10.

To an injured person who is totally disabled and in addition so helpless as to be in constant need of a nurse or attendant, such additional sum shall be paid, but not exceeding \$20 per month, as the director may deem reasonable: *Provided, however*, That for the loss of both feet or both hands or both eyes, or for becoming totally blind from causes occurring in the service of the United States, the rate of compensation shall be \$100 per month: *Provided further*, That no allowance shall be made for nurse or attendant.

(2) If and while the disability is partial the monthly compensation shall be a percentage of the compensation that would be payable for his total disability, equal to the degree of the reduction in earning capacity resulting from the disability, but no compensation shall be payable for a reduction in earning capacity rated at less than ten per centum.

A schedule of ratings of reductions in earning capacity from specific injuries or combinations of injuries of a permanent nature shall be adopted and applied by the bureau. Ratings may be as high as one hundred per centum. The ratings shall be based as far as practicable upon the average impairments of earning capacity resulting from such injuries in civil occupations, and not upon the impairment in earning capacity in each individual case, so that there shall be no reduction in the rate of compensation for individual success in overcoming the handicap of a permanent injury. The bureau shall from time to time readjust this schedule of ratings in accordance with actual experience.

(3) In addition to the compensation above provided, the injured person shall be furnished by the United States such reasonable medical, surgical, and hospital services and supplies, including artificial limbs, trusses, and similar appliances, as the director may determine to be useful and reasonably necessary.

(4) The amount of each monthly payment shall be determined according to the family conditions then existing.

Sec. 303. That every person applying for or in receipt of compensation for disability under the provisions of this article shall, as frequently and at such times and places as may be reasonably required, submit himself to examination by a medical officer of the United States or by a duly qualified physician designated or approved by the director. He may have a duly qualified physician designated and paid by him present to participate in such examination. For all examinations he shall, in the discretion of the director, be paid his reasonable traveling and other expenses and also loss of wages incurred in order to submit to such examination. If he refuses to submit himself for, or in any way obstructs, any examination, his right to claim compensation under this article shall be suspended until such refusal or obstruction ceases. No compensation shall be payable while such refusal or obstruction continues, and no compensation shall be payable for the intervening period.

Every person in receipt of compensation for disability shall submit to any reasonable medical or surgical treatment furnished by the bureau whenever requested by the bureau; and the consequences of unreasonable refusal to submit to any such treatment shall not be deemed to result from the injury compensated for.

Sec. 304. That if the injured person be deemed competent and not likely to become a public charge upon his application and evidence satisfactory to the director that it will be for his best interests and for the best interests of his dependents, if any, future compensation payments for disability may be commuted in whole or in part for a lump sum equal to the present value of such payments or the proportion thereof to be commuted, and such lump sum paid

to the injured person in lieu of all further compensation or of the proportion so commuted of all future payments of compensation: *Provided, however,* That in case of partial disability rated at thirty per centum or more of total disability, or in case of total disability, not more than fifty per centum of the compensation payments as for a man without a wife or child shall be so commutable. The basis for determining present values of future payments of compensation shall be prescribed from time to time by regulation.

SEC. 305. That in cases of dismemberment, of injuries to sight or hearing, and of other injuries commonly causing permanent disability, the injured person shall follow such course or courses of rehabilitation, reeducation, and vocational training as the United States may provide or procure to be provided. Should such course prevent the injured person from following a substantially gainful occupation while taking same, a form of enlistment may be required which shall bring the injured person into the military or naval service. Such enlistment shall entitle the person to full pay as during the last month of his active service, and his family to family allowances and allotment as heretofore provided, in lieu of all other compensation for the time being.

In case of his willful failure properly to follow such course or so to enlist, payment of compensation shall be suspended until such willful failure ceases and no compensation shall be payable for the intervening period.

SEC. 306. That upon its own motion or upon application the bureau may at any time review an award, and, in accordance with the facts found upon such review, may end, diminish, or increase the compensation previously awarded, or, if compensation has been refused or discontinued, may award compensation.

SEC. 307. That in this article the term "pay" means the monthly pay at the time of the injury, or in case of disability resulting from disease, at the time of the beginning of such disability, unless at such time he is not in the service of the United States, in which case it shall be taken to refer to the monthly pay at the time of his leaving such service.

SEC. 308. That no compensation shall be payable for death or disability which does not occur prior to or within one year after discharge or resignation from the service, except that where, after a medical examination made pursuant to regulations, at the time of discharge or resignation from the service, or within such reasonable time thereafter, not exceeding one year, as may be allowed by regulations, a certificate has been obtained 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, compensation shall be payable for death or disability, when occurring, proximately resulting from such injury.

SEC. 309. That compensation shall not be payable for death in the course of the service until the death be officially recorded in the department under which he may be serving. No compensation shall be payable for a period during which the man has been reported "missing" and a family allowance has been paid for him under the provisions of Article II.

SEC. 310. That no compensation shall be payable for death inflicted as a lawful punishment for a crime or military offense except when inflicted by the enemy. A dismissal or dishonorable or bad-conduct discharge from the service shall bar and terminate all right to any compensation under the provisions of this article.

SEC. 311. That no compensation shall be payable unless a claim therefor be filed, in case of disability, within ten years after discharge or resignation from the service, or, in case of death in the course of service, within ten years after such death is officially recorded in the department under which he may be serving: *Provided, however,* That where compensation is payable for death or disability occurring after discharge or resignation from the service, claim must be made within ten years after such death or the beginning of such disability.

The time herein provided may be extended by the director not to exceed one year for good cause shown. If at the time that any right accrues to any person under the provisions of this article, such person is a minor, or is of unsound mind or physically unable to make a claim, the time herein provided shall not begin to run until such disability ceases.

SEC. 312. That no compensation shall be payable for any period more than two years prior to the date of claim therefor, nor shall increased compensation be awarded to revert back more than one year prior to the date of claim therefor.

SEC. 313. That compensation under this article shall not be assignable, and shall be exempt from attachment and execution and from all taxation.

SEC. 314. That compensation under this article shall not be paid while the person is in receipt of service or retirement pay. Existing pension laws and laws providing for gratuities or payment in the event of death in the service shall not be applicable after the enactment of this amendment to persons now in or hereafter entering the military or naval service, except in so far as rights under any such law shall have heretofore accrued.

Compensation because of disability or death of members of the Army Nurse Corps (female) or of the Navy Nurse Corps (female) shall be in lieu of any compensation for such disability or death under the act entitled "An act to provide compensation for employees of the United States suffering injuries while in the performance of their duties, and for other purposes," approved September seventh, nineteen hundred and sixteen.

SEC. 315. That if an injury or death for which compensation is payable under this act is caused under circumstances creating a legal liability upon some person other than the United States or the enemy to pay damages therefor, the director, as a condition to payment of compensation by the United States, shall require the beneficiary to assign to the United States any right of action he may have to enforce such liability of such other person or any right which he may have to share in any money or other property received in satisfaction of such liability of such other person. The cause of action so assigned to the United States may be prosecuted or compromised by the director, and any money realized thereon shall be placed to the credit of the compensation fund.

ARTICLE IV.

INSURANCE.

SEC. 400. That in order to give to every commissioned officer and enlisted man and to every member of the Army Nurse Corps (female) and of the Navy Nurse Corps (female) when employed in active service under the War Department or Navy Department greater protection for themselves and their dependents than is provided in Article III, the United States, upon application to the bureau and without medical examination, shall grant insurance against the death or total disability of any such person in any multiple of \$500, and not less than \$1,000 or more than \$10,000, upon the payment of the premiums as hereinafter provided.

SEC. 401. That such insurance must be applied for within one hundred and twenty days after enlistment or after entrance into or employment in the active service and before discharge or resignation, except that those persons who are in the active war service at the time of the publication of the terms and conditions of such contract of insurance may apply at any time within one hundred and twenty days thereafter and while in such service. Any person in the active service on or after the sixth day of April, nineteen hundred and seventeen, who, while in such service and before the expiration of one hundred and twenty days from and after such publication, becomes or has become totally disabled or dies, or has died, 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. If he shall die either before he shall have received any of such monthly installments or before he shall have received two hundred and forty of such monthly installments, then \$25 per month shall be paid to his wife, child, or widowed mother if and while they survive him: *Provided, however*, That not more than two hundred and forty of such monthly installments, including those received by such person during his total disability, shall be so paid; and in that event the amount of the monthly installments shall be apportioned between them as may be provided by regulations.

SEC. 402. That the director, subject to the general direction of the Secretary of the Treasury, shall promptly determine upon and publish the full and exact terms and conditions of such contract of insurance. The insurance shall not be assignable, and shall not be subject to the claims of creditors of the insured or of the beneficiary. It shall be payable only to a spouse, child, grandchild, parent, brother, or sister, and also during total disability to the injured person, or to any or all of them, and to such other persons as may be provided from time to time by regulations. The insurance shall be payable only in installments. Provisions for maturity at certain ages, for continuous installments during the life of the insured or beneficiaries, or both, for cash, loan, paid-up and extended values, and such other provisions for the protection and advantage of and for

alternative benefits to the insured and the beneficiaries as may be found to be reasonable and practicable, may be provided for in the contract of insurance. Subject to regulations, the insured shall at all times have the right to change the beneficiary or beneficiaries of such insurance without the consent of such beneficiary or beneficiaries, but only within the classes herein or as in the regulations provided. If no beneficiary within the permitted class be designated by the insured, either in his lifetime or by his last will and testament, or if the designated beneficiary does not survive the insured the insurance shall be payable to such person or persons, within the permitted class of beneficiaries as would under the laws of the State of the residence of the insured be entitled to his personal property in case of intestacy. If no such person survive the insured, then there shall be paid to the estate of the insured an amount equal to the reserve value of the insurance at the time of his death, calculated on the basis of the American Experience Table of Mortality and three and one-half per centum interest in full of all obligations under the policy.

SEC. 403. That the United States shall bear the expenses of administration and the excess mortality and disability cost resulting from the hazards of war. The premium rates shall be the net rates based upon the American Experience Table of Mortality and interest at three and one-half per centum per annum.

SEC. 404. That during the period of war the insurance shall be term insurance for successive terms of one year each, convertible after war, without medical examination, into such form or forms of insurance and with such provisions for premium payments as may be prescribed by regulations. Payments of premiums in advance shall not be required for periods of more than one month each and may be deducted from the pay or deposit of the insured or be otherwise made at his election.

SEC. 405. That in the event of disagreement as to a claim under the contract of insurance between the bureau and any beneficiary or beneficiaries thereunder, an action on the claim may be brought against the United States in the district court of the United States in and for the district in which such beneficiaries or any one of them resides. The court, as part of its judgment, shall determine and allow such reasonable attorney's fees, not to exceed ten per centum of the amount recovered, to be paid by the claimant on behalf of whom such proceedings are instituted to his attorney; and it shall be unlawful for the attorney or for any other person acting as claim agent or otherwise to ask for, contract for, or receive any other compensation because of such action: *And provided further*, That no other compensation or fee shall be charged or received by any person except such as may be authorized by the commissioner in regulations to be promulgated by him. Any person violating this act shall be deemed guilty of a misdemeanor, and upon conviction thereof shall, for each and every such offense, be fined not exceeding \$500, or be imprisoned at hard labor not exceeding two years, or both, in the discretion of the court.

Passed the House of Representatives September 13, 1917.

Attest:

SOUTH TRIMBLE, *Clerk.*

The CHAIRMAN. Here are various communications received from different people upon the subject of this bill. I expect we had better have them put in the hearings at the end of the oral statement, if the subcommittee approve.

Senator SMOOT. In connection with the statement you have just made, I have a letter from Senator Dillingham, quoting a part of a letter that he had received from Hon. F. A. Howland, president of the National Life Insurance Co.

(The letter referred to above is here printed in full, as follows:)

UNITED STATES SENATE,
COMMITTEE ON THE UNIVERSITY OF THE UNITED STATES,
Washington, D. C., September 17, 1917.

DEAR SENATOR SMOOT: In a letter recently received from Hon. F. A. Howland, president of the National Life Insurance Co., relating mostly to other matters, he referred to the McAdoo indemnity and insurance bill, and said:

"The only objection we have to the bill is to some features of the life-insurance article, and particularly those portions which contemplate a continuance of the life-insurance service after the close of the war, the apprehen-

sion being, of course, that this activity may furnish an opening wedge for those who may be inclined to favor Government insurance generally.

"I think the House did a wise thing in reducing the maximum amount of insurance on a single life from \$10,000 to \$5,000, and presume a smaller amount, say, \$2,000 or \$2,500, would more nearly be right, and then be considerably in excess of the amounts of insurance which the soldiers would normally take, even if the rate were much lower than cost.

"The basis of the low rate—\$7 to \$10 per \$1,000—which the Government is to ask is the actual mortality charge which would be necessary under ordinary conditions to pay the actual death loss during the two or three years of the war. This rate, of course, excludes all expense of management, all extra mortality because of the war hazard, and should not carry with it any obligation to change to a higher form of insurance without medical examination.

"To my mind the essentially bad feature of the bill as it now stands is the one which allows soldiers and sailors at the close of the war to transform their insurance from term insurance to ordinary life or any of the higher forms, regardless of the physical condition of the insured, under an agreement that the Government will carry the insurance at the net rate; that is, without any charge for expense of management. If the carrying of such insurance after the war could in some way be limited to the men who by reason of the war have become so physically unfit that they could not procure insurance in the regular companies, I think the obligation of the Government would be fully met and the danger of the Government embarking in the life insurance business quite largely avoided. Of course the granting of insurance at all is something beyond what has ever been incorporated in any pension scheme, so far as I am aware, and the act without the article relating to life insurance seems to provide indemnity for disablement and death on a more generous scale than ever has been done before.

"* * * what the cost of this insurance may be no one can predict, but if the war lasts a year or two more I believe Mr. McAdoo's estimate of the expense which will arise under his measure will prove to be entirely inadequate."

Mr. Howland's views are so clearly stated and his viewpoint is so fair and reasonable that I trust you may consider his suggestions carefully while engaged in perfecting this measure.

Sincerely, yours,

W. P. DILLINGHAM.

The CHAIRMAN. Whom have the insurance men selected to be heard on their behalf?

Mr. IDE. I represent the insurance committee appointed by the Secretary of the Treasury, and will go ahead now if it is agreeable to the committee.

The CHAIRMAN. You may proceed. Just go ahead in your own way.

STATEMENT OF GEORGE E. IDE, PRESIDENT OF HOME LIFE INSURANCE CO., NEW YORK CITY.

Mr. IDE. I have reduced this to writing so that it will be as brief as possible. The discussion of the details of this important measure has been most ample and the points already made need not be restated as they are matters of record in Congress and are printed in the hearings before the Committee on Interstate and Foreign Commerce of the House.

From the mass of detail it is hard for any but a trained mind to sift the important testimony and it is well-nigh impossible to keep clearly before one the underlying principles and aims of the bill, in order that one may properly view its various provisions.

The impression has been allowed to persist in the public mind that the insurance committee appointed by the Secretary of the Treas-

ury, which committee I represent, was opposed to this measure and this impression for a long period we were powerless to refute because we were instructed that our findings must be regarded as confidential. It was not until the bills were introduced in Congress that this restriction was removed.

I wish to reiterate now the statement which has been made in all of our previous reports that our committee is keenly desirous of seeing this measure passed. We believe some such measure is due to the soldiers and sailors. We believe it is the patriotic duty of the Nation to provide, and to provide in advance, for the vicissitudes of war so that the fighting man may go to the front with a clear conviction that the Nation is to stand behind him, protecting him and his dependents against the fearful risk he is undertaking from a patriotic sense of duty. The patriotism of the insurance men of the country is no less, because in this discussion we have not indulged in glittering generalities nor allowed our sober judgment to be blinded to the necessity of doing all we can to make this bill clear in its intention and fair in its operation. It must be liberal but wisely economical and it must be based upon scientific reasoning. Its probable cost, both administrative and otherwise, must be understood by Congress, and this is no time for underestimates. The Nation will gladly shoulder any burden that is proper; it will certainly be liberal, but Congress must demand that it have intelligent data upon which to act and that nothing be concealed.

There is only one correct way to undertake a proper study of this measure and that is to determine what the aims of the bill are and to test the merits of each provision as it may be in accord with those aims or run counter to them.

It is the aim of this bill to provide fair, just, and generous compensation for the soldiers and sailors and their dependents in return for the enormous sacrifices they are now about to make for their country's good; to provide a definite and comprehensive plan which will cover all contingencies and which will become part of the man's contract agreement with the Government. Its benefits are to become part of his emolument or wage and there must not be the slightest element of charity or philanthropy in it. Every benefit accruing under it is simply a payment of a just debt due the man. Therefore, we can at once forget the specious argument that if we liberalize its terms in any respect we are discouraging thrift. Anything which is in the bill now or is proposed which does not measure up to the standard of a just national obligation should be eliminated. This being so, it follows naturally or logically that all provisions must apply equally to all of the same class in the service and that discriminations of every sort, as between members of the same class, must be eliminated.

Let us pass at once to a consideration of Article IV, which may properly be termed "optional insurance." The original draft of the bill provided that the man in the service might provide himself during the war with insurance or death indemnity in sums up to \$10,000 by the payment of annual net peace rates (averaging \$8 per thousand), the determining of the amount of insurance to be taken, if any, to be left to the man and his decision to be made within a given time after the passage of the bill or after enlistment.

Remembering the underlying principle of the bill, viz. that the Nation shall be taxed as a whole to pay its just debt to all the fighting men, let us see how this article will work out during the period of the war.

The option of taking the insurance provided under Article IV must be exercised within 120 days from enlistment or 120 days after passage of this act. If the soldier does not elect to take any of this insurance within the period, his right to do so expires. During the period named, the men in our fighting forces will be either in France, en route to France, in the training camps of this country, or on the seas in our Navy. They will all be more or less inaccessible and will have little time to attend to their personal affairs. It is planned, we are told, to carry on an intensive campaign of education so that every man will be convinced that he needs the insurance and will be told how cheap it is. Some will take it and some will not. The Secretary of the Treasury, after stating in his letter to the President that all will be enabled to take the maximum on account of its cheapness, bases his estimate of probable cost under Article IV on the supposition that one-quarter of the men will take the insurance for one-quarter of the maximum of \$10,000 which was allowed at that time under the bill. The estimates as to how this project will work out are as numerous as the men who make the estimates. It is all more or less guesswork.

The plan is quite definite as long as the war lasts. It is to provide renewable term insurance at net peace rates. (The average premium will be about \$8 per thousand). Presumably in most cases the Government will be instructed to deduct the premiums from the men's pay; otherwise lapses would occur; but nothing definite is said on this score. If the man once elects to take the insurance, must he stand by his choice for the rest of the war? He can not increase his insurance, but can he terminate it? This is unprovided for. The special point to be borne in mind is that the rate charged by the Government to the fighting man is a peace rate. The cost of the mortality arising from war conditions is borne by the Government—that is, the people of this country. The average peace rate is 8 per thousand. One of our largest companies, with an extensive war experience on Canadian risks, said that about \$50 per thousand should be added to the peace rate to cover the war risk. We are expecting now to raise a fighting force of 2,000,000 men. If 500,000 men take an average of \$5,000 insurance each the insurance in force is \$2,500,000,000. A war premium of \$50 per thousand is \$125,000,000 annually. Possibly it is on account of the size of these figures that the House committee suggested the reduction of the maximum in the bill from \$10,000 to \$5,000. The Secretary's first estimate on a \$10,000 maximum was \$23,000,000 loss during the first year. Here is quite a discrepancy. I only give these figures to show you the magnitude of the discrepancy. But in any event, some will take this insurance and others will not, and under this article we see at once a special class created made up of those who are thrifty enough to appreciate the bargain offered and who at the same time can afford to pay for the insurance. The country is taxed to provide the amount necessary to cover the war losses under this insurance, and the recipients of the benefits under this plan are not the dependents of all of the men in our Army

and Navy but a special class which is created by the option given to the men under Article IV.

The class which does not take this insurance, be it large or small, will be without this special life-indemnity protection, and as soon as deaths begin to occur in this class dissatisfaction will surely arise, and the basis is laid for the introduction of new legislation to correct the discrimination. The fact that the discrimination arose from lack of foresight on the part of the dead hero will not be a popular argument against further relief to his dependents.

When the war is over this insurance takes on a new phase. The insurance is then "convertible, without medical examination, into such form or forms of insurance and with such provisions for premium payments as may be prescribed by regulations." The bill simply says the insurance is "convertible." It is not mandatory. If converted at the end of the war the annual premium immediately advances from \$8 per thousand to \$15 or \$30 per thousand, and the great mass of the insured will be civilians. As these no longer are in receipt of a Government wage they will act exactly as other civilians always have acted—the healthy lives who find the premiums too large to be conveniently met will withdraw, and our "special class" above referred to becomes smaller yet, with all the selection against the Government.

Further, Prof. Glover, of the University of Michigan, a well-known expert in mathematics and insurance, says:

The soldier who converts the insurance which he purchased at term rates * * * will discover 5 or 10 years later that the premium rates based on mortality experience tables of peace times without "loading" charged by the Government in accordance with the terms of the bill are from \$1 to \$4 per thousand of insurance in excess of the net cost to the insured in private companies for the same kind of converted policy issued at the same time and age.

These level premium policies contemplated in this vague and indeterminate way under Article IV will call for loan values, cash values, extended insurance values, etc., and must have legal reserves upon which these values rest. The total will run into millions of dollars. How is this to be invested? In Government bonds? If so, and if the return be less than $3\frac{1}{2}$ per cent, the Government insurance bureau is insolvent. If not, who is to determine in what form of security these funds are to be invested? The bill is silent on this point. Remember these policies may run for 50 or 60 years.

The supporters of the bill have evaded all inquiries as to what the real cost under Article IV is to be. They differ in their estimates of what the war mortality is to be. They differ in their estimates as to how many men will take this insurance—and that is certainly natural—and they are absolutely silent as to its administrative cost. Do they realize what it will mean to put into existence and to maintain this bureau to administer Article IV now and after the war? They have not as yet given any figures, as far as I know. The bureau in administering the balance of this bill will be a very busy place, but this life insurance bureau under Article IV is stupendous in its magnitude and overwhelming in its detail. What will it cost? Congress should know. Mr. Kingsley, of the New York Life, in his letter to Mr. Gompers says, "By the clause which compels the insured to pay a premium the bill immediately erects all the huge machinery of a life insurance company," and then proceeds to point out that the

outstanding insurance may be \$10,000,000,000, or about twice the outstanding insurance of the Mutual Life, the Equitable Life, and the New York Life combined.

Another question: What is proposed in the way of new insurance under this bill after the war? Is this a war measure or is it not? The bill is discreetly silent on this point.

The CHAIRMAN. In that connection, were you present when the Secretary of the Treasury gave his testimony upon that point, in which he said that, of course, the bureau would have to be continued after the war until the contracts were closed up which were made during the war.

Mr. IDE. Yes, sir.

The CHAIRMAN. And that they would take no new business after the war, except from the Army and Navy.

Mr. IDE. He said that; but I was wondering what the bill really intended, whether it intended to keep up this \$8 insurance or what it intended. That is largely left to the superintendent.

The CHAIRMAN. He said it would have to keep in existence for the purpose of closing up existing contracts, and that whether they should take on new business or not was a question to be determined, but it would take it on only for the Army and Navy. I think he made that pretty clear.

Mr. IDE. It should be clearly defined, especially as to article 4, where the fighting man bears part of the cost. Is this huge insurance bureau to continue issuing new insurance after the war? Its advocates say the plan is simply for this war, but this is not stated in the bill.

Again, what is to become of those men who received no injuries during the war, who had no insurance or have lapsed what they had because of their inability to pay the increased premiums after conversion, or who have surrendered their insurance for any cause?

Senator SMITH. Is not this practically term insurance, and if the war ends and they are uninjured and they let it drop, have they not paid for what they got, and got what they paid for?

Mr. IDE. They have; and then the question that comes to my mind, basing it upon my own observation of such matters, is that the ones who can not keep up their insurance because of financial inability after the war will cause a recurrence to pension legislation to take care of that class of people, very much on the line of our present Service Pensions Bureau. My feeling is that if you believe there should be life indemnity in addition to the generous provisions of the bill in articles 2 and 3 you should give the men the insurance. Then you treat them all alike and those discriminations and criticisms which will arise from the discrimination will be in a way avoided.

The CHAIRMAN. What possible duty can the Government owe to the soldier in granting insurance except to restore his insurability to peace conditions; how can the Government owe him insurance gratis?

Mr. IDE. It seems to me article 4 should have provided term insurance for the period of the war, with a provision that if the uninsurable people, who would be receiving benefits under the compensation and disability clauses, needed insurance the Government would step in and take care of them; but that is not what the bill provides. The bill says we are going to give to every soldier up to \$10,000 the

right to take it, and we are going to work it as a great big life insurance proposition. I feel the discrimination is even wider than that, because if the Government is going to do it in the Army and Navy they are protecting a man for the period of his occupation; and why not take it for munition men, for men who work in other departments of the Army?

The CHAIRMAN. Is not the discrimination very clear, and does it not consist in this, that the extra hazard upon the part of the enlisted man is a Government hazard, and that upon a man in munition plants is a hazard based upon his contract with the employer, with which the Government has nothing to do? It did not create it, it is not responsible for it, and would not pay for it.

Mr. IDE. I have one instance in point. I know of a man who has a rather technical position, where his knowledge is of very great value. His position is one of some danger; he is in Government employ. He is of draftable age and he has been exempted because the Government needs him right where he is. He has applied to our company for insurance, but he says, "If the Government is going to take care of these other men, why does it not take care of me?" That is the question he asked.

The CHAIRMAN. The Government now takes care of him in the same way it proposes to take care of the enlisted man. It makes the employer compensate him.

Mr. IDE. But the Government employs this man.

Senator SMOOT. Have you any idea that if this bill passes, even as it passed the House, that if the condition of enlisted men and officers engaged in this war shortly after the war is such that they think they want pensions they are not going to get them?

Mr. IDE. They are going to get them; surely. And this only puts another argument in the hands of people who are going to handle pension legislation in the future.

Senator SMOOT. I have not any doubt but that they will get pensions. It will only take one or two encampments with resolutions to the effect that they should have pensions, to enable them to get them.

The CHAIRMAN. We can make it much more difficult for them to work it and invoke public sentiment, and we could not against the veterans of war heretofore because they were asking for something they needed which the Government created; and if we relieve these families under this law while the men are compensated and relieve them by giving them the opportunity for insurance, then we can meet the demagogues by saying that this Government has acted more liberally than any other Government did and that they would be trying to capitalize their patriotism. We could not meet the old veterans because in the first place we let the families starve while they were fighting, and we had none of these provisions and insurance privileges; they simply met us on the ground that they were not objects of charity and that we should make pensions a roll of honor.

Senator SMOOT. We may be able to meet the demagogues, but we will not be able to meet the man who has spent all the Government has given him, who is in a distressed condition, whose family is suffering, and more than likely many of them will be; and there is only one way to appeal to the Government, and they are going to get a pension.

The CHAIRMAN. I do not doubt many private pension bills will pass, but there will not be any more service-pension legislation.

Mr. IDE. My only feeling was that Article IV will by this automatic discrimination later on introduce a new element.

The CHAIRMAN. Where is that discrimination?

Mr. IDE. The small class who take insurance and the large class who do not and who 10 or 15 years from now will think they should have insurance.

The CHAIRMAN. Where does the discrimination come in if we restore the man's insurability?

Mr. IDE. That is only a catch phrase. That is a phrase that catches the public mind. Here is A in a little town in New England who took \$5,000, and here is B, who was not as thrifty and did not take insurance. Their conditions are exactly alike. When they come back from the war neither was injured. When they reach old age A gets back the insurance he took and B is dissatisfied because he did not take it; then you get the further element of discontent, which leads to pension legislation.

The CHAIRMAN. Suppose without war A had taken \$10,000 and B \$5,000, would there be any discrimination?

Mr. IDE. It is insurance a man is not paying for. He is only paying \$8 out of, we will say, \$58 during the war, but he has to make his decision now, within this 120 days. You will say it is the fault of the hero who was not thrifty, but his friends say he was only 22 years old, a brave young fellow, etc.

Senator SMITH. There is one suggestion you make that seems to me is worthy of a good deal of consideration. It is that this term insurance is to make up to them their loss of ability to obtain insurance during the war. When the war is over that risk ceases, except for those whose physical disqualifications exempt them from being able to obtain policies with the ordinary companies. The thought, therefore, that you present is that after the war is over we should only continue to carry those who are unable to obtain other insurance.

Mr. IDE. That is my feeling.

Senator SMITH. That those who can obtain other insurance have no claim on the Government to continue them longer, and that they ought to take the other insurance and we make good the losses incident to the war, if we carry those who, physically injured in the service, can not obtain outside insurance?

Mr. IDE. Yes, sir. There is another point. They talk about the insurability of a man and mention \$10,000 as a maximum. Among the people of all ages who are insured, the average policy is \$1,800 in the old-line companies. Now, that is not all the people of the United States of insurable age; that is only the small part of the citizens of the United States who think enough of insurance in peace times to take it.

Senator SMOOT. That is the average of those that have taken out insurance?

Mr. IDE. And not of the entire population.

The CHAIRMAN. The statement has been made that this ordinary life insurance, I believe they call it, is the only sort of insurance that

any man with any sense would want to take as a war hazard from the insurance companies.

Mr. IDE. Yes; he pays by the year.

The CHAIRMAN. Now, the ordinary rate for this in peace times is what it will be under this bill.

Mr. IDE. Eight dollars.

The CHAIRMAN. Precisely. If that is the only form of insurance a man in the Army and Navy would want to take out, if that is the most favorable form and we restore his insurability on the basis most favorable for him, why should we, after the war, not permit him to convert that form of insurance into some other form with a change of premium to suit the form, to a 20-year endowment or whatever he wanted; because what would be the most advantageous form of insurance for a man taking a war hazard would not be the same as for a man taking the ordinary peace hazard, and if he were allowed to do that, how could you possibly discontinue the operations of the bureau until all the contracts entered into and converted have been terminated?

Mr. IDE. Because if the idea of the article is what some of us have been led to believe it is—that is, to provide against this loss of insurability—there is not loss of insurability after the war for those who come out of the war more fit physically than before.

The CHAIRMAN. Suppose I was 21 years of age and the war lasted six years, or any time you please. It is true that after the war I would be insurable under the ordinary life-renewable plan at the rate of 27 years, and that would be what the Government would be giving me then, no more and no less. If that man could in peace times go to an insurance company and get it at that rate, there would be nothing in the world to prevent him giving up his insurance under the Government and buying that.

Judge MACK. May I make one slight correction in that statement of facts? If he bought it from the Government at \$8 he could not buy it from private insurance companies at the same rate, because they add about 24 per cent for "loading."

The CHAIRMAN. The point I am making is this: If he found that instead of converting this into an endowment of 20-year payment, or something else, with the Government, he got a cheaper rate upon the new plan from the insurance companies, there would be nothing to prevent him doing that.

Mr. IDE. I want to call your attention to the fact that that loading, which is for overhead charges, etc., will be paid by the people of the United States.

The CHAIRMAN. Just as in war a part of the risk is paid by the United States.

Mr. IDE. And there has nothing been said by the proposers of this measure as to administrative cost, and, gentlemen, you have no idea of what you are doing under article 4 when you take up this enormous life insurance business.

The CHAIRMAN. We have some experience under the pension law as to what the cost is.

But the point is this: That, as I understand it, we are seeking here to have the Government carry only that part of the expense which the Government has caused the man by calling him into serv-

ice. We therefore pay a part of it out of the Public Treasury, which amounts to war risk; and, in paying it, we of course administer it and pay the cost of the administration. Now the man pays the ordinary rate from these tables.

Mr. IDE. The point about that is that you have just stated that you are taking care of the men who have been injured by the war in some way, but immediately after the war is over, although the bill is quite indefinite, the talk has all been that these converted policies were going to be carried and that the Government is going to continue to carry the administrative expense of the life insurance of those who will have Government rates until they die. You see that that is lost sight of unless one studies it very carefully.

Senator SMITH. Do you understand the Government pledges itself to carry that loss permanently or during the war?

Judge MACK. The statement in the bill is permanently.

Mr. IDE. The Government says, "We will give you these converted policies at net rates, without any charge for administrative or overhead expense."

Judge MACK. Yes; that is what the bill says.

The CHAIRMAN. Go ahead.

Mr. IDE. When old age and infirmities come to them, can you not see recurring, for the benefit of this class, legislation exactly similar to that which we have had in the past in regard to pensions? Will this bill prevent future pension legislation? It is my firm belief that if, as is proposed, you provide allowances for the dependents of the fighting men, if you grant to the dependents of men who have been injured compensation for partial disability, total disability, and death, you have acted generously and wisely. If in addition to the death indemnity under Article III you give to all a stated sum, be it \$1,000 or \$2,000 or more, without any payment of premium, this amount to be payable in the event of death within a stated period, not more than 10 years after the close of the war, you will have adopted a plan more generous in its scope, more American in its spirit than has ever been dreamt of by any other nation. You will have filled our fighting men with courage and with enthusiasm, and you will have treated all alike.

Make it clear that this is a measure to meet the exigencies of this war. As far as possible rid the bill of all vague and uncertain language and leave as little as you can to future determination and decision by the bureau. Eliminate Article IV as being too vague in its language and utterly unsound in principle. It leads to manifest discriminations and consequent injustices. It opens the door wide for future pension legislation. It involves needless administrative expense. It offers great rewards to speculation. It is class legislation in favor of those who are able to pay the premiums, especially after the war. It can not be opposed simply as State insurance because it does not pretend to sell insurance at cost but at less than cost.

Senator SMITH. How could anybody question about the cost?

Mr. IDE. It was questioned in the public prints. Somebody has got to pay the cost.

Senator SMITH. You do not think it can administer itself?

Mr. IDE. Not on your life.

The CHAIRMAN. Suppose you amend it and put it at cost less administrative expense.

Mr. IDE. No; it does not pretend to do that, because during the war it proposes to sell at \$8 instead of \$58, we will say. The bill has the effect of creating in the minds of these people the idea that they are getting insurance at \$8 a thousand. Now, why give them something which is going to disappoint them? Because a man will say, "I paid \$8 a thousand for this insurance during the war; the war is over and I am living on my farm quietly, with no peril, and the rate goes up \$25." Is the ordinary soldier, the ordinary farmer, the ordinary small man capable of seeing these fine distinctions? You are sowing the seed of discontent by Article IV, in my opinion.

The CHAIRMAN. That seems to me rather begging the question, because the very point that we are making is that the Government ought to pay all expense and give him the ordinary insurable cost to him in peace times.

Mr. IDE. Eliminate this entirely, and in its place give to every fighting man without cost life insurance for such an amount as you think the Nation can afford, for \$1,000 or \$2,000 or \$3,000, payable to the dependents, in installments if you prefer, in the event of death from any cause at any time prior to 5 years or 10 years after the war is over. This is simple of administration and the only doubtful element in the calculation of its cost is the war loss. It is fair to all, and no one can feel he has been unjustly treated or placed in a position where he may be robbed of his insurance because of future financial difficulties.

The CHAIRMAN. What would be the paid up value, let us say, of one of these policies after it had been paid, say, for five years?

Mr. IDE. You mean after conversion?

The CHAIRMAN. Yes.

Mr. IDE. Oh, that would depend entirely upon the size of the policy and the age, and its duration. It would be impossible to give a general answer.

The CHAIRMAN. Take a man of 27 insuring this year. Five years from now, what would be the cash value and what the paid-up value?

Mr. IDE. I could not tell you.

The CHAIRMAN. This is done without medical examination.

Mr. IDE. It would be based on the reserves, as it is in all the States. I would not like to answer that.

The CHAIRMAN. I was thinking we might put the provision in the bill allowing them a paid-up statement.

Judge MACK. It is in the bill. The part you have reference to has to do with commuting the compensation. The insurance clause provides that after it is converted all these things happen.

Mr. IDE. What I recollect was that the bill says those paid-up values, loan values, etc., will be provided in the future by regulation, which regulation is going to be done by this superintendent of this new bureau and such other people as may be called in, so that when every insured man buys his contract within 120 days he does not know what he is buying.

Senator SMOOT. Your recommendation there, if I understand it correctly, would be that the bill be so amended that we allow in case of death so much, say, \$1,000 or \$2,000 or \$3,000, or in case of total dis-

ability an amount in proportion. In other words, you would recommend that that be attached to Article III over and above what Article III provides for, do away with Article IV, and the creation of an insurance bureau in the Treasury Department.

Mr. IDE. Exactly. That is the key. That is the crux of the situation.

The CHAIRMAN. And that all insurance be without any payment of premiums.

Mr. IDE. There is another element in the bill which did not catch my eye until this morning. The bill provides that this insurance shall be only obtainable to specified relatives. That is, of course, inserted properly to prevent, as far as possible, any speculation. My impression, after reading the bill, is that when a man who pays 15 or 20 years after the war the regular net rate and he dies, if he has not a spouse or son or daughter or some one mentioned in the bill, the Government decides then to simply return the reserve, and he loses all that money that he had paid in, which he was originally entitled to in case of his death.

Judge MACK. Quite right; what he himself could have gotten the day before he died—what he could have cashed in for.

Mr. IDE. I wish we could do that in private insurance.

Judge MACK. You could assign it to anybody you pleased.

Mr. IDE. That is a very curious feature of the bill—to take away property, and then because a man happens to be fortunate enough to outlive all his relatives—

The CHAIRMAN. How do you take away private rights when he volunteers the insurance?

Mr. IDE. He has paid the level premium it calls for.

Senator SMITH. He has not paid a straight premium; he has paid a premium free from the cost of administration which must necessarily be an expensive and burdensome charge upon the Government.

Mr. IDE. There is no question about that.

The CHAIRMAN. It would not be quite as expensive in proportion as you think. Take what the Pension Bureau costs. This thing would hardly cost more than that. Take the immense sums involved, and the expenses of the administration is not as great.

Senator SMOOT. You will find it will be administered by the Government more expensively than by any life insurance company in the United States.

Senator SMITH. The element of expense that the Government will not have is the expense of solicitation.

Mr. IDE. That is all. Under the laws of all States—and, I think, equitably—a man having an insurance policy upon which the premium is payable should have notice. He becomes a civilian after the war; he must remit his premiums. His premium remittance must be acknowledged. Every State allows 30 days of grace. Are you going to allow 30 days' grace; are you going to calculate interest on all these premiums; are you going to go through all the machinery of a life insurance company? If you take the three largest insurance companies in the world and put them together and multiply them by two, you have not got the life insurance which would be created in this bill within 120 days.

Senator SMITH. I suggested a few moments ago that the only expense to the Government would be the expense of solicitation. Upon a moment's reflection I can see that there are a number of others.

Mr. IDE. No such insurance is going to be carried on without administration. Of course, it can not be. All these are regulation points which are indefinite and vague in the bill.

The CHAIRMAN. This point as to how much time and notice, etc.; those are all left to the regulation of the board, and undoubtedly the board can make regulations much more wisely than Congress.

Mr. IDE. But, Senator, may I call attention to this, which I said before at one of the other hearings: That you are expecting to get a man to run this bureau at \$6,000 a year.

Senator SMITH. \$5,000.

Mr. IDE. Would you feel like taking ten billions of insurance, with the investment of the funds, the handling of the details, with the payment of the proper people, etc., and give it to a \$5,000 man to administer if it were your own private business?

Senator SMITH. Not if it were a matter of private business; but I trust a man to serve the Government for very much less than he would be willing to serve in private business.

The CHAIRMAN. The President of the United States serves for less than many a president of a railroad or insurance company, and there is not a president of a railroad or insurance company that would not like to be President to-morrow. There is some question as to whether salaries are sufficient, but my observation in life is that you do not always draw a jewel in proportion to the amount paid for it. Very frequently a man is better fitted for work who would be willing to take it partially from financial motives or from motives higher than that than a man who would undertake it solely for monetary compensation, and frequently he is much more to be trusted.

Judge MACK. Mr. Ide has quoted from somebody else. Mr. Ide, you quoted Prof. Glover. Do you adopt that quotation as your own judgment?

Mr. IDE. That is true.

Judge MACK. Can you cite a single instance in which at the end of 10 years a level premium policy in your company or in any other old-line life insurance company costs less than the net term rate at the time?

Mr. IDE. When I received that letter from Prof. Glover I gave it to our actuary, and he said the statement was perfectly correct.

Judge MACK. Has your company ever paid such a dividend, or has any company?

Mr. IDE. Would you like to have me furnish you an example?

Judge MACK. I should like to see that example.

Mr. IDE. It could be done in the payment of a net rate as against a participating rate.

Judge MACK. Without loading, as between a nonparticipating and a participating rate, I agree; but I am talking about the net rate in this bill. Has any dividend ever been so big as to reduce the net premium below the net premium without loading? If that statement was actually true, at the end of 10 or 15 years would that make up the difference in the rate during the preceding 10 or 15 years?

MR. IDE. That I do not think would be the case, but I think every man when he found that he was paying more for an article than he could get it in another place will swap. Under the regulations which your bureau is going to adopt, he can surrender his Government policy, get the cash-surrender value, and reinsure in our company or any other he wants to.

Judge MACK. Do you think he could insure at 50 at a lower rate; could he ever get insurance cheaper than by keeping in the Government?

MR. IDE. No.

Judge MACK. One question about that \$8. You talk about the extremely high rate as the man got along in years. Of course \$8 at the age of 29, which is about \$7.50 at 21, does not reach over \$25 at the age of 60.

MR. IDE. No; 27 or 28.

Judge MACK. So that at the age of 30, 40, or 50, if a man kept up his insurance, it would not be such a terrible burden.

MR. IDE. Under the selection which is made by risks, do not people know that condition in the renewable term has broken almost every company that ever tried it, and it will affect the Government in the same way.

Judge MACK. Term insurance is not considered desirable for the insured, except where he has a limited time in view for a peculiar risk he desires to cover. No intelligent man would contemplate term insurance, increasing from year to year, except for such a purpose.

MR. IDE. When his earnings are decreasing, most certainly not.

Senator SMITH. And his burden increasing.

The CHAIRMAN. Is not this form of insurance rather difficult to obtain in private insurance companies?

MR. IDE. We do not push it.

Judge MACK. They do not like to sell it.

Senator SMOOT. They do use it, though. I only take premium insurance when I am in debt and want that insurance to protect that debt.

MR. IDE. We do not like to sell life insurance and sow seeds of discontent. We compromise if possible on a 5-year term or a 10-year term, but we do not like to sow discontent. That is what I object to about Article IV. You are openly and voluntarily sowing the seeds of discontent when you think you are doing good.

The CHAIRMAN. But it is the form best adapted for this particular risk.

MR. IDE. Yes; during the war.

Senator SMITH. You do not think this bill contemplates term insurance after the war?

MR. IDE. I can not say, and the Secretary did not say.

Judge MACK. Under the bill it is possible. The man has an option to convert. Most men will convert. There is not any new insurance.

MR. IDE. The new men after the war.

Judge MACK. Whatever forms the Government issues, any new man can get.

The CHAIRMAN. If I understand, this is the case: At the end of the war, if a man chooses at any time, he may take a paid-up policy,

cash value, or convert it into some other form of insurance, or continue the insurance which he already has.

Judge MACK. That is not quite accurate, because a term policy has no cash value or paid-up value, but he can keep up his term insurance or convert it into any form the Government may desire to issue. Private insurance companies provide those same things.

The CHAIRMAN. I thought the bill said something about commuting into a lump sum.

Judge MACK. Suppose a man has term insurance now, and after the war he takes 20-payment life—

The CHAIRMAN. Why not put some amendment in the bill whereby at any time after the war a man could convert it into a paid-up policy, say, of one-fifth, or whatever amount might be desirable, whether it is the usual thing or not?

Judge MACK. It has no value. You pay for the risk for the year, and at the end of the year it has no value.

The CHAIRMAN. But give it a value under this act, and let a man take that as a paid-up policy, and let him quit paying the Government, and let the Government get rid of the whole liability.

Senator SMITH. Why not so give it without regard to the insurance policy at all?

Judge MACK. He could keep that with the cheap rate or convert it into ordinary life.

The CHAIRMAN. Suppose a man was insured for \$10,000, would not it be to the Government's interest, if he were willing to do it, that at any time after the war, if he wanted to quit, say, within five years—of course, it would not do to make the period too long—to pay him one-tenth?

Judge MACK. It would not be to the Government's interest. If he is sick, the Government ought not to want to do it; if he was a healthy man, he would be the best class of insurance risk there is.

Mr. IDE. I will now conclude my statement. This is simple of administration, and the only doubtful element in the calculation of its cost is the war loss. It is fair to all, and no one can feel he has been unjustly treated or placed in a position where he may be robbed of his insurance because of future financial difficulties.

Congress has an opportunity now for work of a grand constructive character. I trust it may not be injured by the adoption of theories which appeal to no man of practical insurance experience and which open up a vista of future expense and complication which I am sure its advocates do not realize.

Mr. CHAIRMAN. I have a printed copy of some remarks on this subject which covers the ground according to my viewpoint, which I will ask to be printed as a part of my remarks.

(The matter referred to above is here printed in full, as follows:)

WAR-RISK INSURANCE.

(Comments by George E. Ide, chairman of insurance committee appointed by the Secretary of the Treasury July 15, 1917.)

Before proceeding to a study of the features of the bill now under consideration, it is necessary to rehearse the connection of the insurance companies with this matter in order that our position may be clearly understood.

A conference of insurance men was called by the Secretary of the Treasury on July 2 and was largely attended. At this conference a general plan of

compensation proposed for soldiers and sailors was outlined by the Secretary of the Treasury and by Mr. Sweet, the Assistant Secretary of Commerce.

During the discussion the representatives of the various companies offered to the Government, without charge, the services of their experts and any other assistance which they might be able to render the Government in the framing and construction of the bill, clearly expressing it to be the sense of the conference that in all matters proposing compensation to the members of the military forces of the United States, where the Government intended to pay all the costs and the companies could not be of material assistance to the Government in the administration of the proposed law and that the association of the companies with the Government in such an enterprise would only lead to unnecessary complications and expense. The question of what would be the best course to pursue and what would be the attitude of the companies if there were inserted in the bill any benefits in connection with which the enlisted man paid part or all of the premiums or cost, was not presented to the conference.

This distinction is of vital importance in any proper consideration of this measure, and it must be constantly borne in mind that there are two classes of benefits proposed in this bill.

(1) Benefits where the Government assumes all the costs and disbursements.

(2) Benefits where the enlisted man assumes part of the costs and disbursements by paying a premium, and the Government assumes the balance.

At this conference which was held July 2 it was decided that it was impracticable then to discuss details, and the Secretary of the Treasury announced that he would appoint a committee of insurance men to consider a bill which he would submit later. This committee was appointed, and I represent it here. It was composed of men experienced in life, industrial, and casualty insurance. The actuarial societies, the National Association of Life Insurance Underwriters, the American Life Convention, and the fraternal associations of the country were all represented upon this committee. The committee was made up of men from all parts of the country. We were requested to meet at Washington, Monday, July 23, to consider plans for the insurance and indemnification of soldiers and sailors.

At this meeting the Secretary of the Treasury presented to the committee a tentative bill which, as stated in its title, had been prepared by the advisory commission of the Council of National Defense, the Committee on Labor (including conservation and welfare of workers, Samuel Gompers, chairman), and the Committee on Labor by the Section of Compensation for Enlisted Men and for Dependents, Julian W. Mack, chairman.

This proposed bill opened up a new system of compensation for our soldiers and sailors, and was necessarily full of great detail. Its scope was immensely broad and comprehensive, and the future expenses to the Government involved therein were enormous. In this connection I might state that at the request of the Secretary of the Treasury a number of actuaries had been called a few days before our meeting to estimate these probable disbursements, but these actuaries were bound to secrecy, and our committee did not at any time have the benefit of their investigations and conclusions.

The proposed bill was shown to us at 11 o'clock, and we were asked to report upon it in the afternoon of the same day. As an intelligent report upon this measure could not be given in that short space of time we were granted an extension, but were told that the greatest expedition was necessary. After constant application to the work we presented our report at 11 o'clock on Wednesday, July 25, and I shall leave a copy of this report with your committee.

I might add that we were instructed to consider all of our deliberations and conclusions as strictly confidential. We heard nothing more about the matter until the bill was introduced in Congress, except that the tentative bill as presented to us for consideration was freely discussed in the press and the statement made, doubtless without authority, that our committee favored it.

We are here simply to restate and emphasize the general opinion expressed in the report which we made on July 25.

Let us first consider Article II of this bill:

Article II. Allotments and family allowances: As stated in our original report, our committee is in entire accord with this principle, and the plan in general has our hearty approval. The question as to the amount of the family allowance and of the allotment in each instance is one which must depend upon the decision of Congress as to how far it is willing to go in this connection; and the question of compulsory allotment of part of the wage in the case

of enlisted men having no dependents is a matter which should be given most serious consideration. There is great danger of injustice to the enlisted man in compulsory allotment where there are no dependents, particularly as the waiver of this provision is apparently subject to regulations to be made in the future which may not be of a sufficiently definite character to meet the requirements of each case. In order to do full justice under such a provision, an investigation of the business and other obligations of the enlisted man would be necessary in each instance, involving an amount of detail work which can not be overestimated. It must also be borne in mind that the enlisted man, at the time he enlisted, had no knowledge or warning that any such provision would be added to his contract with the Government, and will probably in many instances resent this amendment which is thus forced upon him.

Article III. Compensation for death or disability: This is a most comprehensive matter and the specific provisions thereunder should be reviewed most carefully. It is quite completely covered by our committee's previous report. Any estimate of the future expenditure involved under this article is extremely difficult, and it is probable that any estimate will be too small rather than too large.

The present difficulties in forecasting the probable future experience in the administration of this compensation act are numerous. Among these difficulties we simply name the following: The absolute impossibility of forecasting what the future injuries to enlisted men may be, how serious they may be and what the death rate may be; the uncertainty of the calculation as to the mortality among the beneficiaries under this compensation act; the uncertainty of predicting the marriage rate of widows or widowed mothers, in which cases payment of the compensation is to continue until two years after remarriage; the average age of the infant beneficiaries. These are only a few of the uncertain factors which enter into the problem.

The provision as to the supplying of a nurse or an attendant for an injured person totally disabled or helpless is one which is manifestly open to the greatest abuse in its administration.

Those points are covered by our previous report, and I would earnestly recommend a careful study of that report as it applies thereto. The general aim of this article of the bill, which is to provide a scientific basis of compensation for death or disability in lieu of any system of pensions like the one at present prevailing, is manifestly sound and wise. In the consideration of such a measure it should, in our opinion, be the aim of the Government to provide adequate and liberal compensation for citizens who have entered into this hazardous occupation for the country's good, but the bill must be entirely free from all ambiguity or extravagance and limited in its application to those who are actually and not sentimentally dependent upon the enlisted man.

A careful consideration of these general principles might possibly lead to a revision of section 22, page 7, where the matter of presumptive marriage is considered, and of the further references on page 8 of the same section to stepchildren, illegitimate children, stepfathers, stepmothers, half brothers, half sisters, stepbrothers, stepsisters, etc.; and, further, it may be found upon careful analysis of this article, together with the preliminary provisions of the bill, that the rights of divorced persons have not been sufficiently clearly defined. The attitude of our committee to this plan of compensation was most friendly, as is shown by the fact that in our former report we suggested an increase in the proposed compensation benefits in many instances.

Article IV. Insurance: Section 400 of the bill states that in order to give to every commissioned officer and enlisted man, etc., opportunity to secure upon equitable terms greater or broader protection for himself and his dependents than is provided in Article III, the United States shall, under certain conditions, grant insurance against the death or total disability of any such person in any multiple of \$500, in amounts of not less than \$1,000 or more than \$10,000, upon the payment of premiums as provided in the bill.

In our opinion there is not sufficient reason for the adoption of any such plan. The requirements of any class of persons for benefits of any kind under abnormal conditions are best measured by the voluntary acts of that class under normal conditions.

On the basis of figures received from the insurance department of New York State, the total amount of ordinary insurance in force on December 31, 1916, in companies doing business in New York State was \$16,314,000,000, representing 8,891,000 policies, the average size of the policy being about \$1,800. The total amount of insurance, including ordinary and industrial, was \$20,724,000,000,

the number of policies being 41,177,000, the average amount of the policy being about \$500. This gives a fair indication of the eagerness with which the general public provides itself with insurance in normal times when there is no special menace to human life. In considering the size of the average policy due consideration must be given to the fact that in this calculation no account has been taken of the great number who are not insured at all, and, further, to the fact that at the younger ages the amount of insurance covered by the average policy is less than at the more mature ages. Therefore it would seem as if in attempting to make this provision to enable the enlisted man to procure greater and broader protection for himself and his dependents, the Government were entering into a plan of charitable disbursement which is not required by the facts in the case, for if we analyze as closely as we can the benefits of the compensation provisions granted under Article III, without consideration of the immense advantages accruing under Article II, we find that the compensation to the widow alone is equivalent in its benefits to at least \$6,500 of life insurance. This is the minimum compensation, while the maximum compensation is equivalent to at least \$35,000 of life insurance. The minimum amount of compensation which will be payable to a widow and two children is equivalent to about \$8,500 of insurance. In case of disability from injury the minimum allowance of \$40 has a present value of \$10,000, including the contingent value of benefits to probable dependents, while if the soldier has a wife and two or more children, the present net value of the proposed annuity is \$12,000, with a maximum monthly compensation of \$200, the net value of which is \$33,000. (See our previous report.)

In any consideration as to the advisability of adopting the extraordinary provisions of Article IV, proper attention should be given to the manifest liberality of Article III, and for purposes of comparison, these benefits must be reduced to terms of life insurance. In fact, the liberal provisions of the compensation part of this bill are vastly in excess of anything previously considered and should, in our opinion, make ample provision for the men of the Army, Navy, etc. We believe that this provision for insurance is unnecessary, but feeling that possibly such a provision might be advisable it was suggested by our committee in its previous report that the United States Government pay, in addition to the other benefits under this bill, a death benefit of \$1,000, provided death occur during service or within five years after the date of discharge; that this death benefit should not call for the payment of any premium by the enlisted man, and that it should be payable to any named beneficiary or to the estate, if no beneficiary were named.

As to the specific effect of the insurance offered under Article IV, it does not seem as though the framers of the bill could have possibly considered the practical operation of such a measure. It is proposed to offer to every man in the military service insurance in amounts from \$1,000 to \$10,000, at a net annual premium which would probably average \$8 per \$1,000, the Government to bear all the expenses of administration and all the cost of extra mortality arising from war conditions. In other words, by the payment of \$8 per \$1,000, the soldier will be able to purchase insurance at a merely nominal rate. It was suggested that it was the intention of this provision to make it possible for each man to secure insurance in accordance with the financial requirements of his dependents, but human nature being as it is, can one for a moment imagine that the poorest enlisted man who has the least financial responsibilities will not be able through his family or friends to at least provide a payment of \$80 per year (less than \$7 per month), in order to secure in the event of his death a payment from the Government of \$10,000, which in many instances will seem like an ample fortune?

If, however, such a man is unable through his friends or family to secure this financial aid, will we not see springing up immediately after the adoption of such a measure an army of willing lenders, to assist in the payment of such a premium? Of course, an effort has been made to prevent the actual pledge of this insurance as security for the advance of premiums by the insertion of the clause that this insurance shall not be assignable, and shall not be subject to claims against the insured or beneficiary, and that it should only be payable to a specific member of the insured's family. However, it can not be imagined for a moment when the benefit is so great and the premium so small in proportion to the benefit, that arrangements can not be readily made between the insured and his friends or his financial helpers to sufficiently protect the party who proposes to advance the premiums to the insured. In the opinion of all experienced insurance men whom I have been able to consult, the practical working out of

this article would be that every member of the military forces would arrange to take the maximum amount of insurance possible, and that the average policy would be large. This article is full of incentive to adverse selection and to unlimited speculation, and will result surely in unjust discrimination.

The statement has been freely made by advocates of Article IV that there is no discrimination under this article as our committee alleges. It was stated in the letter to the President of July 31, 1917 (see hearings before the Committee on Interstate and Foreign Commerce of the House of Representatives, Aug. 11, 1917), that "this rate (\$7 to \$8 per \$1,000 of insurance) would make the cost of \$10,000 insurance only \$80 per year * * * and would enable practically every private to take the maximum amount"; and yet in this same letter the total cost of this insurance against death and disability (Art. IV) is estimated to be only \$23,000,000 and \$112,500,000 during the first and second years, respectively. These figures, we are informed, are based upon the assumption that only a small proportion of the enlisted men will take this insurance and then only for an average amount much below \$10,000.

If in any case we have, as is the intention, an army of 1,000,000 men and these men take policies of an average amount of \$5,000, the signing of this bill would immediately bring into existence under this one article a life insurance company having \$5,000,000,000 of life insurance in force before any proper organization for the handling of such an enormous enterprise could be established or perfected. This amount is about equivalent to the insurance in force in the three largest companies in the world doing an exclusive ordinary life business. In our opinion any plan of insurance which involves a part payment by the insured and a part payment by the Government is wrong in principle and impossible of just administration. Here is the vital distinction to which we referred in the first part of this report.

Article I. Organization and Administration: I desire to call your attention to a few provisions of this article. The Director of the new Bureau of War-Risk Insurance is to receive a salary of \$6,000 per year. The commissioner of the military and naval insurance department shall receive a salary of \$5,000. The director has power to adopt reasonable and proper rules to govern procedure, to regulate the matter of compensation, if any, to be paid to claim agents and attorneys; to regulate and provide for the nature and extent of the proofs and evidence and the method of taking and presenting the same; to regulate the method of making investigations and medical examinations, and the manner and form of adjudications and awards. Deputies, assistants, actuaries, clerks, etc., shall be provided from time to time by Congress. Section 15 gives the director, the commissioners, and deputy commissioners extraordinary powers in the issuance of subpoenas and the compulsory attendance of witnesses, the production of books, papers, documents, etc., in any investigation of any matter connected with the jurisdiction of the bureau. A brief comment can properly be made here in regard to this provision. It is open to the very greatest abuse and is in our opinion dangerous in the extreme. Sections 17, 18, 19, 20, and 21 have to do with the funds which are to be established for the carrying out of the plans contained in this bill. Our committee has no means of knowing whether these funds are adequate or excessive. It is of the greatest importance that Congress should be fully informed as to the prospective cost of this general measure. These facts can probably be obtained from the actuaries, who at the request of the Secretary of the Treasury, made an investigation into the bill as first proposed.

The definitions contained in section 22 as to marriage, adopted children, step-children, illegitimate children, grandchildren, parents, etc., should be very carefully reviewed in order to confine the benefits under this bill within proper bounds.

This article, if superficially read, seems to provide a reasonable and workable system for carrying out the provisions of this law, but before its adoption Congress should be well aware of the enormous scope of the measure and the difficulty of its proper execution.

Leaving out at this time entirely the consideration of the administration of Article IV, let us confine ourselves to the administration of Article II, having to do with allotments and allowances, and of Article III, having to do with compensation benefits for death or disability. The beneficiaries under these two articles are very numerous, for it is the object of the bill to provide for all dependents. Taking as our basis an army of 1,000,000 men, if we stop to consider the varied family relations and circumstances of each individual set of beneficiaries, a fair idea is gained of the complexity involved in the administra-

tion of this bill. When we read in the provision of Article I of the executive and clerical machinery which is to be established to carry out the provisions of this measure, we can not but be struck with the apparent lack of appreciation of the extent and seriousness of the business involved. Any one who has had to do with the handling of insurance matters in any company of any size knows the difficulties involved under any plan where wide scope is given in the creation of numerous beneficiaries under each policy. It is necessary for the Government in the proper discharge of its duties under this bill to keep track of the dependents of each and every member of the military forces. This department must know whether the widow marries, must be promptly advised of the death of any beneficiary, must keep track of the ages of each child, and must always be sure that the information gained on these points is accurately given and is entirely trustworthy. If the question of who the dependents may be is definitely settled at the time the disability occurs, the matter is complex enough, but if, in addition to that provision, the Government should attempt to introduce as new beneficiaries children who may be born after the disability is incurred, and new wives who may marry partially disabled soldiers, etc., the complexity of the problem almost passes comprehension.

Under the terms of this bill this enormous institution for compensation springs into existence immediately upon the passage of this bill and its signature by the President. There is no time given for a gradual building up of organization, each step being based upon practical experience, etc., but the organization must be at once complete. It will be necessary to have a staff of reliable investigators in every section of the United States; the reports from these investigators must be accurate and free from local prejudice. A tabulation of their reports must be exact, scientific, and methodical. Above all, the payments of claims, in order to satisfy the beneficiaries, must be prompt and businesslike. I do not mention these difficulties with any desire to create the impression that our committee believes the compensation plan impossible, but it is not fair that Congress should pass such a measure without a full appreciation of what it involves. The complexity of this detail is very much like the complexity in the problem which confronts the administration of industrial companies and their scientific methods, which are the result of years of study, will furnish some idea of what is before this bureau of insurance. In this connection, it must be carefully considered whether it is possible to secure the services of a man competent to administer the military and naval insurance department at a salary of \$5,000 per annum, and a proper director of this vast bureau, with the powers which are granted to him and his associate commissioners, could hardly be obtained, in our opinion, at a salary of \$6,000 per annum.

The above remarks are made without consideration of the administration of Article IV, if adopted. Suppose our Army amounts to 1,000,000 men, and under Article IV these men elect to take an average of \$5,000 insurance, which is not an extravagant estimate, this new bureau will shortly have \$5,000,000,000 of insurance in force. I have said in a previous part of this argument that this amount is about equivalent to the total insurance in force in the three largest companies in the world doing a strictly ordinary life insurance business. These members of the military forces who take this insurance must receive notices of premiums due, and in this connection it must be remembered that they will be scattered all over the world. Receipts for remittances must be forwarded to them; close track must be kept of whether or not the premium payments are made; proper plans must be devised to provide for the payment of these premiums promptly, even if the men are in foreign parts; and all the details of a regular life insurance company must be carried out.

Turning to section 402: "This insurance shall be payable only in installments," and provisions for certain ages, for continuous installments during the life of the insured or beneficiaries, or both, for cash, loan, paid up, extended values, etc., may be provided. If the modern life insurance policy with all its provisions is virtually copied, under the provisions of this article we reach even a greater condition of complexity than is at first supposed. Is it necessary for me to further elaborate this statement? Is it not enough to simply call your attention to the fact that what this bill provides is, in brief, an enormous bureau of compensation and an enormous bureau of life insurance, the administrative cost of which, if properly conducted, must be from the necessity of the case very large; and, further, that in the consideration of this bill Congress must accurately determine in advance what those expenses are likely to be and be perfectly sure that the organization is soundly provided for under

Article I of this bill. The matter will be very much simplified if Article IV is entirely stricken out, as we suggest.

In regard to the general plan, our committee believes that the United States should adopt some plan for providing compensation and indemnity for our soldiers and sailors.

We believe that the terms of these benefits should be definite and known in advance, so that they become part of the enlisted man's contract.

We believe that these benefits should be liberal and in keeping with our national spirit and our national wealth.

We believe, however, that such a plan must be scientifically devised and that its scheme of administration must be wise, methodical, and economical.

We believe that from this bill there must be eliminated all elements which are based upon anything but sound business principle, and in this measure no provisions should be contained which, although theoretically desirable, are practically of doubtful value.

We believe that Article IV is vicious in principle and that, in view of the liberality of Articles II and III, it is absolutely unnecessary and should be eliminated.

We believe that the amount of benefit to be distributed in each instance should be determined by the Government and not by the individual soldier.

And we believe that the costs and disbursements should be borne wholly by the Government.

Such a plan will add materially to the enthusiasm and loyalty of the enlisted man, who will feel that the Nation is appreciative of his sacrifices and will take care of his dependents if disaster comes to him. Furthermore, such a plan, scientifically constructed, should do away for all time with our present system of pensions.

The CHAIRMAN. Mr. Blackburn will be heard now.

**STATEMENT OF THOMAS W. BLACKBURN, OF OMAHA, NEBR.,
MEMBER OF THE McADOO COMMITTEE.**

Mr. BLACKBURN. I will be a very few minutes. I was placed upon the McAdoo committee really as a representative life-insurance man for the southern and western companies. The pending bill proposes that the Government shall enter upon a national scheme of life insurance self-perpetuating and permanent in character.

It is proposed to grant life insurance contracts to such as apply within 120 days, in sums from \$1,000 to \$10,000 at net premium rates on the annual renewable plan during the war, convertible after the war into regular forms of old-line life insurance at net premium rates prevailing in times of peace. The Government assumes expense of administration and pays the excess mortality and disability cost. The right to convert policies is set forth in section 402 in the following language:

Provisions for maturity at certain ages, for continuous installments during the life of insured or beneficiaries, or both, for cash, loan, paid up and extended values and such other provisions for the protection and advantage of and for alternative benefits to the insured and the beneficiaries as may be found practicable may be provided for in the contract of insurance.

The language of the law would seem to mean that when the contract is applied for originally the applicant shall then indicate the form of contract into which he desires to convert his term policy, and the contract shall so specify. Capt. Wolfe says, however, that it is not intended that the conversion of policies shall be considered until after the war.

The CHAIRMAN. We will now have to take a recess for about five minutes.

(Thereupon, at 12.05 o'clock p. m., the committee took a recess for five minutes.)

AFTER RECESS.

The committee reassembled, pursuant to recess taken, at 12.10 o'clock p. m.

The CHAIRMAN. Will you please go ahead with your statement, Mr. Blackburn?

STATEMENT OF THOMAS W. BLACKBURN—Resumed.

Mr. BLACKBURN. Just why the Government should undertake the creation of a department for the conduct of the highly specialized and extremely technical business of life insurance, just now, is not clear. The administration certainly has enough difficult problems to solve without taking up the life-insurance business as a Government function.

The bill creates a distinction between the poor and the well-to-do, which is unfortunate. The dependents of the improvident and the soldier whose family will require all he can spare from his wages are more likely to need this additional indemnity than the dependents of the well-paid officers and of men who have resources and independent income. The former may take no life insurance or very small policies; the latter will take the limit. In the one case the Government gives the dependents or totally disabled soldiers nothing, in the other case, where a \$10,000 policy matures by total disability or death, the Government makes a clear gift of about \$9,000, for the premium paid is sufficient only to carry \$1,000. Every man should receive the same amount, and the Government should pay all the expense if the pension provisions in Article III of the bill are insufficient, in the opinion of Congress. The minimum in that article for total disability is \$40 per month and for a widow \$35 per month, equivalent to more than \$7,000 of life insurance.

It is conceded that the rate of premium to be charged by the Government will not pay for the indemnity. The Government undertakes to pay all expenses and the extra hazard of war above the premiums charged. In fact, the premium is a mere bagatelle compared with the cost of the indemnity in case the soldiers are exposed on European battle fields. The Government can not afford to make any charge for this additional indemnity any more than for the pensions provided in Article III.

It is agreed that the death rate at the front will be 75 per 1,000 men and that the total disabled will number 50 per 1,000 men. See actuaries' report approved by Capt. Wolfe. This means 125 casualties per 1,000 men annually during the war. In other words, the premiums collected from 1,000 men at the front, each carrying \$1,000, will be \$8,000, and the payments of indemnities will be \$125,000. If the policies are larger the premium income and the expenditures or liability will be larger.

The contention that the Government is under a moral obligation to "insure the insurability" of its men and officers does not appeal to reason or experience. We can not guarantee the conscripted man his remunerative salary, his opportunity to make good investments, or compensate him for loss of home comforts, society, and position

in his community life, though these are vastly more important than the opportunity to take a life insurance policy. But if we do attempt to "insure the insurability" of the boys who go to the front it should be without discrimination, and the obligation can not be differentiated upon the principle of helping only the provident and forehanded.

If the life insurance article of this bill has any real merit as a war measure, it does not furnish a reasonable excuse for keeping up a life insurance bureau after the war ends. Existing life insurance companies will accept all the risks upon all the men who take these contracts, whose policies have not matured, after the war and carry them for the Government at net rates, provided the Government will agree to reimburse the companies for extra mortality due to war conditions. The Government would then save the bureau expense and the soldier would have a policy in an old-line company at precisely the rate proposed by the Government.

If the Government be committed to the idea of optional contracts of indemnity or life insurance, with premiums collectable from the men, still the question of perpetuating the bureau can well be left open until the end of the war. If companies already in the field can carry these risks after the war at less cost than the Government, and they can, the Government would not be justified in going permanently into the life-insurance business.

If section 402 is rewritten and connected up properly with succeeding sections, the purpose of the Government is achieved without committing itself irrevocably to a policy of such questionable advisability. The bureau would save much trouble and expense, for if war indemnity is promised those who apply and pay premiums, no formal contract will be needed. The application and receipt will be sufficient. Section 402 should be amended by striking out the entire sentence beginning with the word "provision" in line 18 and ending with the word "insurance" in line 25. Section 404, on page 30, should be rewritten to read:

That during the period of the war the insurance shall be term insurance, for successive terms of one year each. After the war the bureau may conclude contracts with existing life-insurance companies to assume such contracts as have not matured where soldiers or sailors wish to convert them into standard forms of policies. The premium rates shall not exceed the net premium rates based upon the American experience table of mortality and $3\frac{1}{2}$ per cent per annum, but the United States shall reimburse such companies for the excess mortality experienced upon such policies.

Such an amendment would relieve the Government of the necessity of creating a great life-insurance bureau, at enormous expense, and would at the same time enable the Government to carry out its program of "insuring the insurability" of the men taken from civil life into military and naval service.

As a matter of fact, the thing called life insurance in the bill is merely additional indemnity. Article III establishes certain fixed indemnity in the nature of pensions or compensation. Article IV proposes to supplement these as appears in section 400, with additional indemnity, the soldier to contribute about one-eighth of the cost and the Government to make up the difference.

The bill would be clearer if the phraseology were changed and the word "pension" were substituted for "compensation" and the

word "indemnity" for "insurance." The House amended Article III, so that the sums to be paid are uniform and not based upon so-called earning capacity, which is the basis of compensation laws. Therefore the payments to be made disabled soldiers and their dependents at death are strictly pensions.

On the 2d of July more than 100 life insurance executives called together by Hon. W. G. McAdoo, Secretary of the Treasury, voted their approval of plans outlined for separation allowances and indemnity for those called into military and naval service. Later, the committee of which I have the honor to be a member was selected. The life insurance companies indorse most heartily the sentiment which recognizes the obligation the Government owes its soldiers and sailors in the matter of protecting their dependents, both during and after the war. We favor a liberal monthly allowance to the dependents at home and generous treatment of the disabled and bereaved. We deplore only the proposition contained in Article IV, wherein it is provided that the Government shall enter the field of life insurance because we regard it as impolitic, unwise, and unnecessary.

A half century of experience has demonstrated that private corporations can and do furnish life insurance at lower cost than any nation on earth has furnished it. The American companies have issued a larger proportion of protection than has been provided in any other land. The Government should not interfere with this successful, prosperous, and beneficent function of private initiative at a time when the American companies have 80 per cent of their entire volume of business issued upon incontestable policies, and consequently face possibilities of tremendous losses on account of war. They will experience other very great losses, of which mention need not be made. It is extremely unwise to suggest a paternalistic proposal which may do harm to the greatest single form of successful fiduciary enterprise in the land.

This must naturally follow if it shall come to be understood that the Federal Government contemplates entering this field in competition with established institutions whose record of achievement, integrity, and beneficence is unparalleled in the world's history.

The CHAIRMAN. The committee will next hear Mr. Cox.

STATEMENT OF ROBERT LYNN COX, THIRD VICE PRESIDENT METROPOLITAN LIFE INSURANCE CO.

Mr. Cox. Mr. Chairman, I hesitate a little bit about speaking on behalf of the life insurance companies, because these hearings seem to have taken on the appearance of opposing this bill.

The CHAIRMAN. They have not opposed any part except that appertaining to insurance.

Mr. Cox. Even that seems to put us in the position of opposing that section. My attitude is to the contrary and the attitude of my company is to the contrary, and we are trying to look at this only through the eyes of insurance men to see if we can what would be best to do justice to the people with whom you have to deal. There has been a good deal said on behalf of the soldier and what should be done in the way of giving him insurance and protection, and I am not going to add anything to that, because we are all in accord that he

ought to have that; but I do not believe there has been quite enough emphasis laid upon what ought to be done for the beneficiaries under these policies. We have been thinking of the man who is going to die, perchance, or not be insured, and thereby will not call for his insurance; and I do not believe this scheme quite gives sufficient thought to what ought to be done for the people who are dependent upon that soldier. Now, the trouble fundamentally, as I said, with charging for this insurance lies in the fact that it puts somebody between the Government and the beneficiary to say whether or not that beneficiary will be protected. You are concerned with the widows and the orphans, if there be such, at the end of the war.

The CHAIRMAN. In that connection, before you conclude, I wish you would take into consideration in your observations the total provisions made, the allotment, the allowance, and the insurance all together. I notice that a great many of these gentlemen have only taken the insurance feature by itself. The family is provided for under all three of these arrangements, so that the total provision for the family is increased very much and is equalized very much by adding the three together instead of considering one by itself.

Mr. Cox. I will be very glad to speak about that point, because I have something to suggest on it. You must consider these three things as a whole, because the Government is paying all of the cost of the first and the second and 90 per cent perchance of the cost of the fourth, or what comes under section 4. In other words, the bill as it appears here, assumes that that section 4 is a necessary and proper part of that compensation which the Government ought to carry. That infinitesimal part of the cost is the thing about which I was speaking, which I say stands between granting full justice to these people.

You put it in the power of the man in the field and he may be selfish. We know our soldiers are doing their duty to the Government, but they are not always doing their duty toward the family at home, and we are putting it in the power of the soldier to elect against protection of his beneficiaries which the Government is saying it is ready to give by paying from 80 to 90 per cent of the cost of this indemnity. That seems to be a mistaken policy. We as insurance men have learned one thing if we have learned anything in the world, and that is that our chief energies have to be expended on the teaching of men to protect those dependent upon them. That is what makes life insurance cost so much. We are always arguing with a man who ought to take it for the protection of his family, and yet it is a generally admitted fact throughout the country that there is not enough insurance carried to-day to protect families against the economic loss that would be occasioned by the death of breadwinners. It is a human element which we recognize, and I say to you, gentlemen, under this scheme the bill will have an element that will prevent the doing of full justice, and if the Government is willing to pay 80 or 90 per cent, for heaven's sake let it pay the whole 100 per cent and see that the families are adequately protected and let us eliminate the optional section of the bill. If that is not necessary to protect those beneficiaries, why not let the people who are taking the insurance pay the entire cost of it? You are saying that this applies to the extent of 90 per cent.

Now, the bill is not consistent in just that respect. We commend the indemnity feature of it. Every good citizen must do that, and as citizens and taxpayers we must come forward and bear this burden which is going to rest upon the man conscripted or who voluntarily enters the service, and we are willing to do that. In this fourth section let us measure what the man ought to have in the way of protection and give it to him freely. Let us liberalize the bill; let us approach it from the standpoint of what the needs of the people are and give it to them and then let it end when that time is over.

That brings me to one thought which you have referred to yourself, Senator, and that is that there will be impaired lives after this war is over, due to the results of the war. Now, that should be continued; it would be entirely feasible to carry that. We should have physical examinations to determine whether they were physically fit after the war, and if found impaired by the war, the Government should continue that, of course.

The CHAIRMAN. And the Government will continue to insure the bad risks and turn over the good ones to the insurance companies.

Mr. COX. No; this continuing pay for the injury it has done was necessitated by calling them into service. It may be measured in dollars if you like it that way. Those men who are unimpaired at the end of the war can do as they like about continuing this insurance. They can take it here, or they can take it with the insurance companies, and I do not believe that any insurance man is concerned over their election. I know we are not. We are not concerned about them and we will not take the men who are impaired.

The CHAIRMAN. Do you think you could give them cheaper terms, so that their election would be in favor of you instead of in favor of the Government?

Mr. COX. Speaking by and large, a private insurance company can insure people on terms more satisfactory to them than the Government can.

The CHAIRMAN. More satisfactory than the terms of this bill?

Mr. COX. I think so, decidedly.

The CHAIRMAN. If that is the case, this will solve itself. Then the man will go to you and the Government will be rid of him.

Mr. COX. I think that is true doubtless of the man who is in a position to take insurance afterwards. Of course, we do not know. No one knows what will be the case; no man knoweth what the benefits are, what the values are to be.

The CHAIRMAN. It is our purpose to make the regulations judicial and not arbitrary; they are to be guided by certain tables and rules and authorities and all that.

Mr. COX. We will assume they will do that, but not under the bill.

The CHAIRMAN. Yes; that is part of the regulations of the bill, to be guided by certain tables.

Mr. COX. It is so indefinite that you are discussing about the matter of giving paid-up policies and the values of policies that have no value.

The CHAIRMAN. They are guided by certain actuary rates by which you are guided.

Mr. COX. I do not want to be in the position of arguing against my Government or the people who are running it, but I do say

private business is usually run more efficiently and economically than the Government service, and I can cite the Pension Bureau.

The CHAIRMAN. No man with any common sense disputes that, but we are talking about what the soldier gets this insurance for.

Mr. Cox. I think he ought to get it for less than what you are proposing to give it to him for. He should have it according to his needs without any charge and should not be in a position to withhold it from those who are entitled to it.

The CHAIRMAN. Your proposition is for the Government to give the insurance.

Mr. Cox. It is, absolutely. Under this bill it gives 90 per cent.

The CHAIRMAN. And would you not also have the soldier make his allotment of \$15 a month to his family?

Mr. Cox. That is entirely apart and separate from this.

The CHAIRMAN. Just as that would apply in one case, would not it apply in another? What the family gets is this indemnity and the allotment and the allowance which the Government adds to it and the insurance. I do not see why the man should not contribute to that allotment and also contribute by paying \$80 a year upon \$10,000, or \$8 per thousand, for the insurance.

Senator SMITH. As I understand you, you say we require all of them to give an allotment, so that the families at home get the benefit of it, and if we leave this insurance optional it is simply a privilege that a few of the thrifty will take advantage of and the great body who wants to be taken care of will not get it.

Mr. Cox. Exactly so.

The CHAIRMAN. That would happen if they never joined the Army.

Mr. Cox. I do not know whether it would or not; if we had been allowed to solicit them, if they were not in the Army, they might have taken insurance.

The CHAIRMAN. Do not the thrifty generally take out insurance? That is part of human nature, and we are trying to put him in the *statu quo ante bellum*.

Mr. Cox. You were saying a moment ago that they ought to contribute, and yet you are admitting, if you are in support of this bill, that under the bill they should not contribute for injury.

The CHAIRMAN. Because it is the part of the Government that caused the hazard—to carry the hazard. I do not propose that the soldier should carry one particle of the war hazard. What I want the soldier to carry is what his premium would have been in peace times on this form of insurance.

Mr. Cox. If you wish to do that, why provide that this man can withhold from his dependents this insurance which you are supplying, whether or no, willy-nilly? The trouble is that under the plan you get him between the beneficiaries and the 80 per cent the Government is going to pay for. He gets nothing unless he elects to take it under this bill.

The CHAIRMAN. He would not elect.

Senator SMOOT. Does Canada pay the cost of insurance to her soldiers?

Judge MACK. The city of Toronto gives every citizen that goes to war \$1,000 insurance. They first took that out with the Metropolitan

and subsequently they carried the risk themselves, but the state itself does not do it.

The CHAIRMAN. Does anyone else wish to be heard? Prof. Glover, do you wish to make a statement?

STATEMENT OF PROF. JAMES W. GLOVER, PROFESSOR OF MATHEMATICS AND INSURANCE, UNIVERSITY OF MICHIGAN.

MR. GLOVER. Mr. Chairman and gentlemen, I do not represent any insurance company, but, having given much study to the subject of insurance, I desire to make some observations on this bill.

My object in appearing before this committee is, if practicable and feasible, to have the bill amended so as to restore the soldier to the status in which he was before he was exposed by the Government to the risks of war. To do this, naturally we have to consider the provisions in the bill as affecting soldiers who return from the war unimpaired as to health, those who return from the war in an impaired condition, and the beneficiaries of those who lose their lives during the war. I am not going to spend any time speaking about the first, second, and third articles of this bill. I think there are certain places where they could be improved, but I wish to address myself to the part about which I have more knowledge, namely, the insurance portion, Article IV. I have not prepared a written discussion for the committee, feeling that after listening to the others some points might be raised which I would like to discuss at this time. The first thing that struck me as rather curious on studying the provisions of this bill, Article IV, was the premium rates to be charged. If I understand it correctly, the soldier is to receive term insurance during the period of the war at the American Experience $3\frac{1}{2}$ per cent rate, which averages about \$8 per thousand from 20 to 30 years of age. I also understand this same table is to be employed in determining the rates to be charged for insurance which is converted by the soldier after the period of the war.

I think that the soldier ordinarily will convert his insurance after the war, but there are certain reasons why he may not. Suppose, first, that he does convert his insurance. It is unnecessary, perhaps, to state here that the bulk of insurance sold in this country is not term insurance. Ordinary life, 20-payment life, 20-year endowment, and forms of that character serve the needs of the civilian where the term insurance would not. Consider the soldier who continues his insurance after the war but converts it to the ordinary life plan or the 20-payment life or the 20-year endowment plan. Under the terms of this bill he will have to pay the American Experience $3\frac{1}{2}$ per cent net rate for the converted insurance.

On examining the bill I at first naturally looked up this rate to see what it would be. I took an average age of 25 years and found that the net premium at that age for an ordinary life policy would be \$15.10. I then examined the rates charged by some of our large mutual companies. The mutual company charges a fixed rate, which is based upon the American Experience Table, with a loading for expenses. If the expenses are less than the loading, or if there is a saving from excess-interest earnings or saving from mortality, a dividend is returned on this basis, which reduces the premium originally

charged to what is known as the net cost. Naturally we can only fairly compare the Government rate with the net cost in these companies. I found with one company that after the first year the net cost is \$15.21 as against the Government charge of \$15.10. At the end of five years the net cost is \$14.82 as against \$15.10; at the end of 10 years \$14.19 as against \$15.10; at the end of 15 years \$13.37; and at the end of 20 years it is \$12.29 as against \$15.10, almost \$3 lower, and as it goes on it would become still lower.

Take another policy, the 20-payment life policy, with this same company; the net or Government rate is \$22.53. At the end of the first year—

The CHAIRMAN. Why do you call it the net Government rate?

Mr. GLOVER. Section 403 reads:

The premium rates shall be the net rates based upon the American Experience Table of Mortality and interest at 3½ per cent per annum.

These are fixed, definite mortality table rates.

Senator SMITH. From which you work out the exact rate?

Mr. GLOVER. Yes; the company takes that net premium as a basis and loads it for expenses, usually from 15 to 35 per cent. The Government rate, according to this table, would be \$22.53 at age 25 for a 20-payment life policy. One company, a large company, makes the net cost the second year \$25, which is \$2.50 more than the Government rate. After the fifth year the net cost is \$23.84, still over \$1 above. The tenth year it is \$22.03, 50 cents below; the fifteenth year it is \$19.72, about \$2 below; the twentieth year, \$17.40, about \$5 below. Now, this 20-payment life policy is the most popular of all policies, I believe. I appeal to the insurance gentlemen here for confirmation.

Mr. BLACKBURN. That is correct.

Mr. GLOVER. Another common policy is the 20-year endowment, which is very popular among young men for reasons which are evident. The Government rate would be \$39.14. One company has a net cost after the first year of \$42.70; another one \$41.27, another \$42.34, all of them around \$42 or \$43. At the end of the fifth year the net cost is \$40.18, just \$1 above. At the end of the tenth year it is \$36.23, \$3 below; at the end of the fifteenth year it is \$31.23, about \$8 below; at the end of the twentieth year, when the policy matures, it is \$28.49, almost \$11 less.

The figures are taken from authentic reports and they disclose a situation which needs correction. I do not believe the soldiers understand that the converted insurance which they are to receive after the war is going to cost them as much as private companies charge, especially since the Government is going to save the so-called costs of administration, particularly the cost of agency solicitation with which the Government is not burdened.

Insurance companies pay agents a first commission of from 40 to 70 per cent of the premium—sometimes more—and they pay commissions of 5 to 10 per cent on the renewal premiums, usually about 7½ per cent, and these commissions are restricted in some States, and practically by most private companies, to 9 or 10 renewals. Roughly, then, assuming 70 per cent of the premium as the first commission, and 10 renewals of 7½ per cent, which would be 75 per cent more, we can say that about 150 per cent of 1 premium is used for solicitation expenses. There are other expenses, of course, but they are

relatively much less. If we estimate the average age of a policy as 10 years, which is conservative, then about 15 per cent of the 10 premiums is employed for cost of agency solicitation. As a matter of fact, many of the larger companies show a percentage of total administration expense, including agency, advertising, home office salaries, and other items, of not more than 15 to 20 per cent of the total premium income. This can be verified by examining the official State reports of the companies. Some of the companies run under 15 per cent.

We should fairly expect the Government, then, if agency solicitation is the largest item of expense, to at least meet the reduction that would be afforded by the omission of this expense in its administration. I found, however, that on an ordinary life policy the net cost after 1 year—\$15.21 as against \$15.10—shows a difference of only 11 cents. Now, 15 per cent of \$15.10 is more than \$2.

The CHAIRMAN. Below that for converted policies.

Mr. GLOVER. The same thing would hold for term insurance; mutual companies give dividends on term insurance.

Judge MACK. Not on yearly renewable policies.

Mr. GLOVER. I know I had a 10-year term policy myself and received dividends from one company. I see no reason why they should not give them on yearly renewable term policies.

Judge MACK. I never heard of their doing it.

Mr. BLACKBURN. They could not do it on a renewable policy.

Mr. GLOVER. My conclusion is that if the Government is going to sell converted insurance to soldiers it ought to make the premiums subject to a dividend reduction so that the eventual charge would be net cost instead of a fixed nonparticipating premium.

The CHAIRMAN. Is there anything in the bill that prevents them from doing that?

Mr. GLOVER. I do not see any place in the bill where they are permitted to do that which is explicit and clear. The definite statement is made that the premiums charged will be the net American Experience 3½ per cent. So I make the point that this should be cleared up.

Senator SMITH. Have you drawn any suggested amendment to submit?

Mr. GLOVER. No; I have not, Senator. Now, it has been stated here that the insured might go on and take term insurance; that possibly he would find it better to do that. That sounds very good theoretically, because the term insurance runs only to \$60 per \$1,000 of insurance at age 70, but it jumps up at a terrific rate after age 70. The American Experience Table, 3½ per cent net annual renewable term rate at age 25, is about \$8; at age 70 it is \$60, and by the time you reach age 75 it is \$91, and age 80, \$140, and then it just goes up out of sight.

Senator SMITH. Have you the figures from 85 up?

Mr. GLOVER. Eighty-five, \$228; ninety, \$439.

Senator SMITH. That is enough.

Mr. GLOVER. For \$10,000 of insurance it would take most of a man's salary to pay the premium for one year.

Senator SMITH. That is a fourth of the policy.

Mr. GLOVER. Yes. It may be argued that there are not many men living at age 70. From the United States Life Tables, 1910, page 22,

it appears that out of 77,047 men living at age 25 there will be 31,527 living at age 70, or about 40 per cent of those alive at age 25 will survive to age 70.

The CHAIRMAN. Forty per cent do not live to be 70 years old.

Mr. GLOVER. They do according to the Government Life Tables.

The CHAIRMAN. That is not true; it can not be true. Every man who has ever lived anywhere in the world knows that.

Senator SMITH. Prof. Glover simply takes that from a census report.

The CHAIRMAN. There is either some mistake or the tables are wrong.

Mr. GLOVER. If they are correct, and I believe they are, 40 per cent of these soldiers will be alive at age 70. A correction should be made, however, because many of them will return impaired in health, so there may be only 30 per cent, or less, living at that time. Of 1,000,000 soldiers returning there would be perhaps 300,000, or, say, 250,000, alive at age 70. These men certainly, if they had continued their term insurance up to age 70 and were required to pay natural premium rates—

Senator SMITH. It would be utterly inexcusable to permit them to do it.

Mr. GLOVER. No argument is necessary to show the fallacy of term insurance for permanent protection.

Senator SMOOT. They would not do it.

Mr. GLOVER. I want to call your attention to the fact that they may either go on with this natural premium insurance and find when they are 65 or 70 they can not keep it up because of the excessive increase in the rates, or else take the converted insurance, which, according to my understanding of the bill, will cost them from one to four to ten dollars more than the private companies charge.

I do not believe the Government can save very much over well-managed mutual private companies. They may save perhaps as much as 15 per cent on agency expense. Whether it is worth while for the Government to undertake to sell insurance in order to save 15 or 20 per cent is a question which I am not here to discuss to-day, but I think the possible percentage of saving ought to be made clear. I wonder if the public would not expect a much larger percentage of saving through Government insurance. This is the possible saving, even if the bill is amended, as I certainly think it should be, so as to make the insurance participating. As the bill now reads there would not be even that saving. In fact, I think there would not be any saving to the soldier on the present basis, except during the period of the war, when he is placed in a position where he can not get insurance at peace rates.

The CHAIRMAN. Is there anything in the bill to prevent the board from converting them into participating policies? There is pretty broad discretion given to the board as to the control of that.

Mr. GLOVER. It is not clear to me that there is.

The CHAIRMAN. They are given full control over it.

Senator SMITH. Is not that dividend feature provided for in the words, "and such other provisions for the protection and advantage of and for alternative benefits to the insured and the beneficiaries as may be found to be reasonable and practicable"?

Mr. GLOVER. Section 403 states definitely what the premiums shall be. If you can interpret that as participating, well and good; but I think not.

Judge MACK. There is a clause in the original bill which was stricken out by the House, "rights and privileges not provided for," that covers Mr. Blackburn's point. The words are that these various "rights and privileges not provided for may be granted from time to time as may be prescribed by regulations."

Mr. GLOVER. The portion read seems to refer more to the fact that the policies may be converted and that cash, paid-up, and extended values may be provided.

Judge MACK. Would not that be easily remedied by inserting in the sentence beginning, "provisions for maturity at certain ages," "for dividends"?

Mr. GLOVER. I think it can very easily be done. My point is that it should be corrected.

The CHAIRMAN. Well, the dividends would fix the participating character?

Judge MACK. And by adding where the House struck that out.

The CHAIRMAN. My construction of the bill is that this board under this broad power of regulation could provide for dividends as well. That table put there only takes the amount of the calculation, but there is nothing to prevent them from participating and thereby getting dividends. It allows discretion, except as to what the bill makes certain, and is merely for calculating the premium.

Senator SMOOT. If that is the case, they could change any part of the bill.

Senator SMITH. If they do not mean to fix the terms to be charged, then the superintendent could give them for nothing.

Judge MACK. The intention was to have it fixed, but I am frank to say that provision for dividends might well be added.

Senator SMITH. It never occurred to me that there was a possible hope that there would be any dividends to distribute.

The CHAIRMAN. If you restored the provision that the House struck out, would not that cover it?

Judge MACK. Not clearly; and I would prefer to suggest an amendment which would cover that point.

The CHAIRMAN. My understanding was that the bill merely fixed the method of calculating the premium and then left the question of convertibility to the broad discretion of the board, guided by certain general rules; in determining the convertibility, they could determine participation of dividends or anything else that ordinarily goes with the sort of policy into which they were going to convert it; but if that is not clear, it ought to be made clear.

Judge MACK. The trouble is that the premiums for the convertible policies are also fixed by the American Experience at $3\frac{1}{2}$, and it was not contemplated there would be dividends earned above that. I think it is advisable to put in the possibility of declaring a dividend.

Mr. GLOVER. You certainly do not wish to make the healthy soldier pay for the excess mortality due to the war on the insurance of the impaired soldier.

Judge MACK. No company pays dividends on a yearly renewal term policy. I will grant a yearly renewal based on the Experience Table of Mortality will more than pay the cost of a healthy risk,

because the actual mortality allowed for in the best companies does not reach 70 per cent of the expected mortality, and that will not only pay the entire cost of the administration by the Government of the healthy risks but of the administration for the entire risks.

The CHAIRMAN. All insurance makes the fellow who lives the longest pay for the fellow who dies early.

Mr. GLOVER. There is another point in connection with term insurance as against convertible insurance. Under the terms of this bill there are certain reasons why the soldier would be forced, in order to protect himself or his beneficiaries, to continue it as term insurance instead of converting it. That was brought out incidentally here this morning. If the insurance is term, it has no cash, loan, or extended value. If it is one of the other forms, such as ordinary life, 20-payment life, or 20-year endowment, it immediately assumes a different character. There are cash values and paid-up values, all based on a reserve which naturally accumulates. Now, the Government is doing something which no State in this country would permit any insurance company to do, namely, it is permitting forfeiture, unless I misunderstand the bill, of the amount of the insurance at risk and at the same time accepts from the soldier full payment for that which it forfeits or takes from his estate, because, I think you stated, Judge MACK, if a man should not have a beneficiary in certain stated classes provided in this bill—his father, brother, spouse, etc.—and should die, the excess of the face of the policy over the reserve actually accumulated would not be paid to his estate.

Judge MACK. That would go to his estate; the cash value would go to his estate. The amendment was introduced in the House.

Senator SMITH. That is, the cash value before he died.

Judge MACK. The original bill did not contain that. The moment it was pointed out, the moment any good suggestion was pointed out, it was accepted; and was immediately accepted when suggested. It was suggested first by Congressman Madden that it ought not to go to the Government. The justice of it was seen at once and this provision was framed whereby there goes to the estate of the deceased the exact amount he could have sold it for the day of his death, but the profit of the insurance is limited to certain classes so as not to make it speculative; that does not go to his estate but the cash surrender value, the full legal reserve on the $3\frac{1}{2}$ per cent goes to his estate.

Mr. IDE. A man pays for 20 years on a 20-year endowment; his wife dies two days before he dies and he loses \$5,000. If his wife lived two days longer his wife would receive \$10,000. He dies and the estate receives \$5,000.

The CHAIRMAN. The object of this entire bill is that we are providing for the soldiers' dependents and it is not an ordinary insurance proposition. It leaves out a speculative profit for somebody else.

Judge MACK. Precisely.

Senator SMITH. If he has not a dependent, it goes to his very best friend, the Government.

Mr. GLOVER. That would be right if the Government had paid for it, but he pays for it himself.

Senator SMITH. Does it not indicate that that is the legatee to which he desires the insurance to go.

Senator SMOOT. A case may arise like this, where it would be an injustice to his creditors. Suppose he had borrowed money—

Judge MACK. He can not do it; it is not assignable.

Senator SMOOT. I do not know whether he borrowed it or not. Supposing a credit was extended upon it.

Judge MACK. That could not be. That is the very thing the insurance companies wisely urged should not be in this bill, that it should not be speculative in the slightest degree, that it should be payable only to certain persons and the insured should not be permitted to borrow money from people on it.

Senator SMOOT. That may give him a credit in business circles that he would not have if they knew he did not have it.

Judge MACK. He could not well get that credit, because those creditors know this policy is not for his debts or his beneficiaries.

Senator SMOOT. Suppose he had a wife living and there is not any question but that these creditors would know that the soldier had this policy, and that the wife was the beneficiary. If the wife died two days before, or if the soldier died two days before his wife, then the whole thing would go to the wife and the wife may have had the credit; whereas if the wife died one day before the soldier died, then the Government would take all of the difference between the actual cash value and what the paid-up value would have been to the wife if he had died two days before.

Judge MACK. This bill provides that this insurance is based upon the spendthrift-trust principle now recognized in the States courts and in the Supreme Court of the United States, namely, that it not only can not be taken for his debts but can not be taken for the debts of the beneficiary.

Senator SMOOT. The question was as to whether there was a value that he had paid for that does not go to his estate or to those that he intended it to go to, and I think the professor is perfectly right in saying there is a wrong done to the man who has paid.

The CHAIRMAN. Not when you contemplate that our sole purpose in this particular scheme of insurance is not a general insurance purpose, but to take care of the man's dependents.

Senator SMOOT. As far as the term policy is concerned, what you say is correct; but this is after it has been converted into a regular policy, for which he pays as much as if he were insured in a regular company.

Judge MACK. That is not the intention of the bill; the intention is for him to get the benefit of the loading.

Senator SMITH. Do you favor this insurance after the war is over, something like an accident insurance for lessened capacity growing out of the soldier's health condition?

Mr. GLOVER. I am going to speak about that a little later, Senator. I would say, in reference to forfeiture of the amount at risk, that many cases will occur where a man has as beneficiary a friend who is not related to him but still entitled to consideration.

The CHAIRMAN. That is not the scope of this bill.

Mr. GLOVER. He has paid for this insurance, and why has the Government the right to take it? He might have somebody who had brought him up to whom he wished to turn over this insurance and who would certainly be entitled to it.

The CHAIRMAN. If we went into that the whole bill would be obnoxious and we would be invading the whole field of insurance. Now we are invading it only as far as it is necessary to take care of the soldiers' relatives and dependents, and no further.

Mr. GLOVER. A great many boys who go to college borrow money on the face of their policies. They go to some friend and borrow \$2,000 and take out an insurance policy in that amount in his favor. This would not be possible if the amount of risk is forfeited.

The CHAIRMAN. No; we are not going into that broad field.

Senator SMITH. And we have invaded the ranks of that class of boys, too.

Mr. GLOVER. There are numerous minor matters which I am not going to discuss, but what seems to me a major defect in this bill is its failure to take care of impaired risks after the war where such impairment is due to service in the war. I base my statement on the theory that the Government should restore the soldier to his status before the war, so far as insurability is concerned. The man who comes back impaired and has not taken out any insurance under the terms of this bill will not be provided with insurance protection by the Government, nor can he get insurance of a private company. If he has taken out a policy of \$1,000 and comes back after the war impaired, he is then unable to take as much as he would have taken of a private company had he not gone to war, because he would have been in good health. He is raising a family and naturally it requires more and more insurance to protect his family. He starts in at \$1,000, and then takes another and another until he gets up to \$5,000 or \$10,000. But the soldier who comes back and who has taken little or no insurance can not take any more, because he is an impaired risk. Because he did not take it within 120 days after enlistment he is barred by the Government, and he can not get insurance of private companies because he is an impaired risk.

The CHAIRMAN. Taking the whole bill together he gets his partial-disability allowances.

Mr. GLOVER. I am speaking of the soldier who is not disabled to the extent where he would be considered totally disabled or even seriously partially disabled.

The CHAIRMAN. Ten per cent is the percentage of impairment put in the bill.

Mr. GLOVER. But the small impairment which might reject him for insurance by a private company might enable him to get only 20 per cent disability, which would not compensate him for the loss in insurance. One way to meet this situation would be for the soldier to take out \$10,000, the full amount, and the question arises as to how it could be done. Shall it be compulsory, or must the insurance be given to him during the period of the war, but not after the war? I am not going to make any suggestions to-day, but I want to point out this situation:

I can not find that this bill provides for partial disability of the soldier after the war.

Judge MACK. You mean insurance or compensation?

Mr. GLOVER. Insurance or compensation for partial disability not incurred during the war.

Judge MACK. Which has not been produced by injuries received?

Mr. GLOVER. Precisely.

Senator SMITH. You do not think it ought to be, do you?

Mr. GLOVER. The point in my mind is this: I think the insurance portion of the bill ought to check pension legislation. I do not believe it will. Perhaps it is better to leave such legislation until after the war.

The CHAIRMAN. I do not fancy that anybody has an idea that these provisions of this bill will do away with all pensions. It certainly will not do away with special bills to suit special cases. What is hoped is that it will do away with the pension system at the Pension Bureau, where the leak is. Of course, a man might be an old soldier and fall and hurt his head and be paralyzed, and some Congressman might put in a special bill to suit a special case.

Senator SMOOT. Instead of one leak, we will have two.

Mr. GLOVER. That is what I anticipate.

The CHAIRMAN. These private pension bills do not amount to anything; it is the Pension Bureau that counts.

Senator SMOOT. Anyone who has been on the Pension Committee for a long time would know how much money there has been spent on them.

Mr. GLOVER. Under the terms of this bill the bulk of the soldiers who live to an advanced age receive no benefit from the Government after the war except a life insurance policy for which they pay a higher premium rate than they would have had to pay a private company for at least from one-half to three-quarters of the entire premium-paying period or term of the policy.

It is common experience that the policyholder does not place much value on insurance protection which he has received in the past. He assumes that, being alive, he has been no expense to the company and is accordingly not indebted. Indeed, he often takes the position that the company is indebted to him on account of his past premium payments. The soldier who returns from the war in good health may very naturally take this view of his Government insurance, disregarding the protection received during the continuance of the war at reduced rates, especially if he discovers that he is currently paying about the same or more for his insurance than is charged by a private company.

Is it wise for the Government to undertake an insurance plan which may place it in this unfortunate position with respect to its soldiers? I do not think it will check pension legislation. If it is intended to do that, I do not understand how. How is that, Judge Mack?

Judge MACK. I agree with Senator Williams. You can not abolish the pensions. There will always be private claims. What I hope for is that this insurance will set up a tremendous moral obligation against general pension service legislation. There are going to be these individual private cases. Nothing under the sun can bar those out.

Mr. GLOVER. Do you think this will do away with 50 per cent of them?

Judge MACK. A great deal more. I do not share Capt. Wolf's estimate of the number of people who are going to take this insurance, or the average amount they are going to take. I think it is going to be very much higher.

The CHAIRMAN. It has been suggested in that connection that a clause should be put in this bill saying that anybody who afterwards drew a pension from the United States should thereby relinquish his right under these clauses. That would finish him, at any rate.

Judge MACK. I do not think that would be right at all.

Mr. GLOVER. This bill, in effect, requires the soldier to pay for his own insurance protection and renounce, if the bill is to dispose of the old system of pensions, all claims to future disability or pension aid from the Government in exchange for insurance protection furnished during the period of the war, and toward which the soldier himself pays the Government about \$8 each per year per thousand of insurance.

Judge MACK. I do not know what you mean by "renouncing."

Mr. GLOVER. Placing a moral obstacle on him not to apply for further aid.

Senator SMOOT. That would not amount to anything if we put it in the bill.

The CHAIRMAN. It does furnish a moral obstacle.

Mr. GLOVER. Secretary McAdoo, in his letter to President Wilson, speaking of this, says, "It ought also to check any future attempt at service pension legislation."

The CHAIRMAN. That is exactly it. It is service pension, not disability pensions. Disability pensions are peculiar.

Senator SMOOT. In 20 years from now we will forget all about this, and everyone will have a pension.

Senator SMITH. A man who was not hurt during the war gets a service pension. His pension is not due to war injury but to war service; that is, a service pension.

The CHAIRMAN. Sometimes for 30 days in a recruiting station.

Mr. GLOVER. There is no provision in this bill to give compensation to the soldier who becomes seriously partially disabled or totally disabled if such disability should occur after the war and not be due to the war. What is to be done for the soldier who becomes blind or totally disabled or who sustains a partial disability which reduces his earning power to a point where he can not support himself and his dependents if his misfortune occurs after the war and is not due to it?

The CHAIRMAN. What is done for the ordinary citizen who becomes blind? If a man becomes blind in a way totally disconnected from the war, what claim has he upon the Government any more than any other citizen?

Mr. GLOVER. I will leave that to you; he has been a soldier.

Senator SMOOT. He has been a soldier and is going to get it.

Senator SMITH. I do not believe in service pensions, and if a man comes out of the war sound he ought to take his place with civilians.

Mr. GLOVER. This bill provides no old-age pension for the soldier, nor does the Government make any significant contribution toward the payment of insurance protection for his dependents. I am talking about the man after the war.

Senator SMOOT. I hope those are all questions that we need not take into consideration at this time.

Senator SMITH. What do you suggest to us as amendments to this bill? Have you brought your suggestions down to some definite shape in the way of amendments?

Mr. GLOVER. I have thought of this, Senator, but the whole insurance portion is so complicated that it would be hard to make a brief statement as to amendments.

Senator SMITH. Do you advise against the entire insurance provision?

Mr. GLOVER. No.

Senator SMITH. Do you advise that it should be changed?

Mr. GLOVER. Yes.

Senator SMITH. Can you not submit to us your detailed statement?

Mr. GLOVER. Yes, after I have heard what the other people have to say, as I would like to get their points of view.

The CHAIRMAN. Please submit your statement in the form of amendments with reference to the lines and pages of the bill.

Senator SMOOT. From what you have already stated, I take it for granted that you think it is well enough to provide term insurance to last until after the war closes?

Mr. GLOVER. Yes.

I do not believe you can evade pension legislation. The effect of these omissions 10 or 20 years after the war, possibly sooner, would be to revive the pension system through failure of the proposed system to meet practical conditions. But \$3,000 of insurance payable in installments of \$12.50 a month to every soldier, maturing as an old-age pension of \$30 per month at age 65, would knock out 90 per cent of pension legislation, because it would provide for those men.

Senator SMITH. Your insurance will be a species of old-age pension.

Mr. GLOVER. This \$3,000 of insurance payable in installments would amount to about \$12.50 for 240 months, in case of his disability. If he should die, the \$3,000 would go to his family; but if he should live to age 65 it would automatically provide about \$30 a month for the rest of his life.

Senator SMITH. Can you get that in the shape of written suggestions and let us have it to-morrow?

Mr. GLOVER. I can, but perhaps not in such form that it would be acceptable as an amendment to this bill.

There is one other point which should be considered in connection with Government life insurance, namely, lapses from various causes. As a measure to encourage the soldier to contribute practically the whole sum toward his insurance protection after the war and make provision for an old-age pension by premium payments on a Government policy, the insurance plan may prove a failure on account of the large number of soldiers who will lapse their policies after the war. In the most conservative life insurance companies in this country 50 per cent of the policies written are lapsed or terminated for some reason or other within less than 10 years after issue.

Senator SMOOT. Is that statement true—that half of the insurance policies issued lapse?

Mr. IDE. Yes.

Mr. GLOVER. In conformity with this experience, I should expect that within 10 years after the war more than half of all the soldiers that the Government had insured under any plan where they have

to pay their own premiums would have dropped out or taken some form of surrender value through failure to make premium payments. I believe the lapse rate would be especially heavy if these young men were overinsured (which I think is quite probable during the war period on account of the \$8 rate), because when they return to civil life they would not carry the burden of premium payments for a larger amount of insurance than they really need, especially if their insurance were converted from term insurance to some more expensive form. The average amount of insurance carried by men between ages 20 and 30 is naturally small, first, because they have few, if any, dependents to protect and, second, because they have not acquired sufficient means to finance their business enterprises and at the same time carry a large amount of insurance.

The lapse rate in Government insurance would not differ, other things being equal, from that experienced in private companies, because human nature and necessity, the impelling factors here, remain the same. Indeed, if anything, the lapse rate among these young men would be heavier than that experienced in the normal insurance company because the average age is much lower for the men who would take out the Government insurance.

Under the conditions regarding lapsation above mentioned it would appear that a large part of the soldiers would eventually receive only temporary protection from their insurance. And it is also likely that those who would lapse or terminate their Government insurance would include the very soldiers who were most in need of Government assistance. The man who has no money must be the first to lapse his policy or surrender it for what he can get out of it. In this case he would be borrowing from his family instead of the Government and would at the same time be taking away their insurance protection.

I have prepared a letter which is in line with certain suggestions and criticisms of the bill under discussion, which I will insert in the record.

(The letter referred to above is here printed in full, as follows:)

UNIVERSITY OF MICHIGAN, *September 7, 1917.*

HON. F. M. SIMMONS,

Chairman Finance Committee, Washington, D. C.

DEAR SIR: I desire to protest against that part of the insurance bill which purports to provide insurance for soldiers in amounts from \$1,000 to \$10,000 at premium rates based on mortality experience tables of peace times without "loading" (American Experience Tables of Mortality, $3\frac{1}{2}$ per cent). I believe it will eventually prove a disappointment to those who framed it and a gold brick to the soldier who accepts it in good faith as a valuable concession on the part of the Government.

I will state my reasons for this opinion:

I.

THE CLASS OF SOLDIERS UNDER CONSIDERATION.

In what follows I refer to the soldiers who, in accordance with the terms of this bill, have bought term insurance from the Government during the period of the war at a premium rate of about \$8 per thousand in amounts from \$1,000 to \$10,000, and who return after the war and are ineligible to disability compensation and convert their term insurance into some other form, as ordinary life, 20-payment life, 30-year endowment, etc., for which they are required to pay a much higher premium rate.

This class will undoubtedly include the great bulk of the enlisted soldiers.

(a) The soldier who converts the insurance which he bought at term rates during the continuance of the war will discover from 5 to 10 years later that the higher premium rate charged by the Government in accordance with the terms of this bill, based on mortality experience tables of peace times without "loading," are from \$1 to \$4 per thousand of insurance in excess of the net cost to the insured in private companies for the same kind of converted policy issued at the same time and age.

This statement may be verified by consulting the official department insurance report of any of the States where premiums and dividends are published, enabling one to obtain the net cost of life insurance in private companies on various plans of insurance and years of issue for ages 25, 35, 45, and 55.

What advantage does the soldier gain in paying the Government a higher premium rate for his insurance than he would have to pay a private company?

(b) Under the terms of this bill the soldier who lives to an advanced age receives no benefit (?) from the Government after the war, except a life insurance policy for which he pays a higher premium rate than he would have had to pay a private company, for at least from one-half to three-quarters of the entire premium paying period or term of the policy.

It is common experience that the policyholder does not place much value on insurance protection which he has received in the past. He assumes that, being alive, he has been no expense to the company and is accordingly not indebted. Indeed, he often takes the position that the company is indebted to him on account of his past premium payments. The soldier who returns from the war in good health may very naturally take this view of his Government insurance, disregarding the protection received during the continuance of the war at reduced rates, especially if he discovers that he is currently paying about the same or more for his insurance than is charged by a private company.

Is it wise for the Government to undertake an insurance plan which may place it in this unfortunate position with respect to its soldiers?

(c) This bill in effect requires the soldier to pay for his own insurance protection and renounce (if the bill is to dispose of the old system of pensions) all claims to future disability or pension aid from the Government in exchange for insurance protection furnished during the period of the war and toward which the soldier himself pays the Government about \$8 each year per thousand of insurance.

This is a case of where the soldier has to die to win.

(d) There is no provision in this bill to give compensation to the soldier who becomes seriously, partially disabled, or totally disabled if such disability should occur after the war and not be due to the war.

What is to be done for the soldier who becomes blind or totally disabled or who sustains a partial disability which reduces his earning power to a point where he can not support himself and his dependents if his misfortune occurs after the war and is not due to it? He can obtain no relief from the Government!

(e) This bill provides no old-age pension for the soldier nor does the Government make any significant contribution toward the payment of insurance protection for his dependents.

(f) The effect of these omissions, 10 or 20 years after the war, possibly sooner, will be to revive the pension system through failure of the proposed system to meet practical conditions.

In spite of the glaring omissions this bill has been proposed as a cure for the old pension system evils.

(g) To carry out the insurance program outlined in this bill would require a large and expensive administrative organization which would not be justified when measured by the results it could or would accomplish.

The Government can not furnish sound insurance protection on a legal reserve basis at a materially lower cost than now offered by well-managed life insurance companies, unless it should undertake to give away outright a part or the whole of such protection.

If the Government desires to give insurance protection to the soldiers without cost the plan proposed below would make this possible without the expensive and unnecessary administrative machinery required for the routine work of a great life insurance company.

(h) As a measure to encourage the soldier to contribute practically the whole sum toward his insurance protection after the war and make provision for old age by premium payments on a Government policy the insurance plan is doomed to failure on account of the large number of soldiers who will lapse their policies after the war.

In the most conservative life insurance companies in this country 50 per cent of the policies written are lapsed or terminated for some reason or other within less than 10 years after issue. In conformity with this experience I should expect that within 10 years after the war more than half of all the soldiers that the Government had insured under any plan where they have to pay their own premiums would have dropped out, or taken some form of surrender value, through failure to make premium payments. I believe the lapse rate would be especially heavy if these young men were overinsured (which I think is quite probable during the war period on account of the \$8 rate), because when they return to civil life they would not carry the burden of premium payments for a larger amount of insurance than they really need, especially if their insurance were converted from term insurance to some more expensive form. The average amount of insurance carried by men between ages 20 and 30 is naturally small, first, because they have few, if any, dependents to protect, and, second, because they have not acquired sufficient means to finance their business enterprises and at the same time carry a large amount of insurance.

The lapse rate in Government insurance would not differ, other things being equal, from that experienced in private companies, because human nature and necessity, the impelling factors here, remain the same. Indeed, if anything, the lapse rate among these young men would be heavier than that experienced in the normal insurance company because the average age is much lower for the men who would take out the Government insurance.

Under the conditions regarding lapsation above mentioned it would appear that a large part of the soldiers would eventually receive no benefit from their insurance. And it is also likely that those who would lapse or terminate their Government insurance would include the very soldiers who were most in need of Government assistance. The man who has no money must be the first to lapse his policy or surrender it for what he can get out of it. In this case he would be borrowing from his family instead of the Government and would at the same time be taking away their insurance protection.

II.

CHANGES OR AMENDMENTS RECOMMENDED.

The bill should provide for free indemnity to every enlisted soldier covering at least the following items:

(1) Compensation for total disability and for partial disability which seriously affects the earning capacity of the soldier, such compensation to be independent of the cause of the disability and the date of its occurrence.

2. Indemnity against the risk of death until he reaches age 65 of not less than \$3,000, for the protection of his dependents.

3. A pension of \$30 per month to begin at age 65 and continue for the remainder of his life.

The combined benefit in items 2 and 3 is about equivalent to a \$3,000 policy of endowment insurance maturing at age 65. In principle it is not greatly different from the proposal first made by Hon. Edwin F. Sweet to provide every enlisted soldier with insurance protection to the amount of \$4,000 without cost. It is also in harmony with the recommendation of the advisory committee of insurance representatives appointed by the Secretary of the Treasury, except that it provides a more liberal insurance protection than this committee proposed, and also includes a pension beginning at age 65.

The administration of the benefits proposed in item (1) would be comparatively simple, because this plan calls for no premium collections. The setting up of an intricate and costly scheme of Government insurance such as would be required in carrying out the insurance portion of this bill would not be justified unless the Government could thereby effect a very material saving to the soldier in premium payments. At best this could not exceed the cost of administration, including agency expense, in our great mutual life insurance companies, which is from 15 to 20 per cent of the total premium income, and this would be on the unbusinesslike hypothesis that there would be no administrative cost to the Government. If it is proposed to give this service to the soldiers the money cost might better be applied directly as suggested in plan (1).

III.

In conclusion I wish to say that I regard this bill, apart from the insurance plan, as wisely conceived and admirably fitted to the complex conditions which it is expected to meet. The beneficiaries of those who die in the service

and the disabled soldiers who return are generously provided for. The great weakness of the bill is that the soldier has to die or become disabled to win. But if this plan is to displace the old pension system it must provide something equivalent to pensions for the soldiers who return and are not disabled. This bill makes them pay for everything they get after they have made great sacrifices for their country. How are they going to feel about this 10 or 15 years later when the appeal for Government aid arises in thousands of meritorious cases? Naturally they will demand a pension or compensation of some kind—and get it—so why not provide for it now along scientific lines as in the case of the soldier who is disabled in battle. Give every soldier a flat insurance protection of \$3,000 and it will not lapse and fail his dependents in time of need. Give the old soldier who has reached the age of 65 a pension of \$30 per month for the remainder of his days. Make provision for the compensation of the soldier who becomes totally disabled or whose earning power becomes seriously impaired through partial disability, no matter what the cause or time of its occurrence. These benefits will be genuine and avoid placing the Government in the position of “benefactor” to its returning warriors in connection with the commodity which they pay for themselves. It will also prevent the spectacle of this Government deluding itself and its soldiers into the belief that it can sell life insurance, without loss, at a price materially lower than the great mutual life insurance companies which now handle the bulk of the business in this country. Additional insurance protection of \$10,000 during the war at term rates for those who are already liberally provided for does not appeal to me as a wise distribution; it would be better if these funds were conserved for distribution among those soldiers who have fought well and have been fortunate enough to return to their homes.

Without this provision the system will eventually fall down because it failed to provide a genuine substitute for the one thing which it intended to supplant—an unscientific system of pensions.

I am, very respectfully,

JAMES W. GLOVER.

The CHAIRMAN. We will now take a recess until 2.30.

(Thereupon, at 1.35 o'clock p. m., a recess was taken until 2.30 o'clock p. m.)

AFTER RECESS.

The subcommittee reassembled at 2.30 o'clock p. m. in the committee room, Capitol, pursuant to recess taken, Senator John Sharp Williams presiding.

The CHAIRMAN. The committee will come to order.

Dr. Richardson, the committee understands that you desire to occupy about five minutes in explaining an amendment that you proposed. The committee will be glad to hear you.

STATEMENT OF DR. CHARLES W. RICHARDSON, WASHINGTON, D. C.

Dr. RICHARDSON. Mr. Chairman, this is a suggestion of an amendment to be added, that “the soldier shall remain in the charge of the Surgeon General of the Army for his reeducation, reconstruction, and rehabilitation, and so remain until this is complete and he is discharged.”

That is, with the idea that the man can be completely rehabilitated under the Surgeon General's care.

As you all know—probably not to the extent to which it is being carried out—the Surgeon General has in his mind, and has started this reconstruction plan from the moment the soldier is injured, and carrying him completely through a completed plan of reeducation and rehabilitation. Various steps have been already taken for the purpose of accomplishing this. A great deal of effort and time has been employed, and he has already planned for the construction of hospitals, both abroad and in this country, for the purpose of carry-

ing out this reconstruction, rehabilitation, and reeducation of the men.

A large number of the most experienced and capable men along these lines in medicine have been taken into the Reserve Medical Corps of the United States Army for the purpose of directing and perfecting this work along the most advanced scientific lines. The work is well advanced. Some medical officers are about or have gone abroad to prosecute this work from the moment that the wounded man is brought into the evacuation hospital and perfect all arrangements for so doing from the very start. A large amount of reconstruction will have to be borne by the Army and Navy abroad. All facilities are also being perfected in this country through hospital arrangements and other means to continue the work. What we wish is that there shall be no question in the wording of this bill, wherein the soldiers and sailors reconstruction is to be worked out. It would be a terrible waste of effort, forces, and actual money if this was reduplicated.

Senator SMOOT. What do you mean by reeducation?

Dr. RICHARDSON. Reeducation? For instance, take a man who readily understands. Suppose a man to be deaf from shock or concussion or from actual injury to his ears, that man will first be put through a physical examination and physical treatment to see if he can be restored. If his hearing can not be restored by that method, then the reeducation commences, which is teaching him lip reading and giving him other means by which he can communicate with others. The next step is rehabilitation, or putting him in a new occupation, wherein his disability will not handicap him.

Senator SMOOT. Doctor, where are you from?

Dr. RICHARDSON. Washington, D. C.

The CHAIRMAN. Doctor, this committee is very much obliged to you.

Dr. RICHARDSON. I thank you, Mr. Chairman and gentlemen.

The CHAIRMAN. The next gentleman to be heard is Mr. Herman L. Ekern.

STATEMENT OF MR. HERMAN L. EKERN, MADISON, WIS.

Mr. EKERN. Mr. Chairman, the original draft of this bill, as prepared by Judge Mack, was based somewhat, I take it, on the suggestions made by Assistant Secretary Sweet, which were a little different from this bill in that they provided more benefits for the soldier.

The theory of the first draft, which I participated with Mr. Sweet in working out, was that the Government should give to every soldier an insurance of \$4,000 on the 20-payment life plan, with the premium paid by the Government for both peace and war risk during the period of the service, and after the period of the service, the man should take up the payment of the premium. Added to that was the option to take an additional amount of insurance from \$1,000 to \$6,000, making a total insurance of \$10,000, the same as in this bill. The theory of that was to make a larger provision for the soldier, which would have a greater tendency to meet the demand for the service pension, which inevitably will come after the war; there is no question about that, and there is not any way by which you can do more than prepare something to meet it. But you can

prepare this moral obstacle to the demand which might otherwise be made.

The insurance feature is a very important part of this bill as it stands now, and for this reason: The bill provides for protection under the workman's compensation feature, to those who are injured or killed in the service only in the case that they have immediate dependents, such as a surviving widow or minor children, or a dependent mother. In any case, it must be immediate dependents.

The great mass of the men who are going into the service are selected because they do not have immediate dependents. We are hopeful that perhaps not over 2 out of 10 will be either killed or injured in this service, and perhaps 8 will be returned uninjured; If that is true you are, under the compensation provision, taking care of only 2 out of 10. Of the 2 out of 10, perhaps less than half will have any dependents at the time of injury or death. The other one-half will leave a mother, father, or some other relative who has had the care, support, and education of this soldier or sailor and who may naturally look forward, in the course of 5 or 10 years, to getting some benefit in return from the life of the soldier who has been killed or injured.

That feature must be taken care of. It is only taken care of by the insurance provision under Article IV. The insurance provision also takes care of the remaining 8 out of 10 who come back without having been disabled or injured. The insurance provision is a very moderate one. The Government is doing no more than taking care of its own employees. The soldiers and sailors are employees, and the Government is merely providing what these men are deprived of by reason of this service.

A man who goes into the Government employment in the civil service gets compensation, under the workmen's compensation act, for death or injury. He is not deprived of his life insurance by reason of that service, but practically all the soldiers are deprived of their life insurance, or their ability to take life insurance. The thing this bill replaces is their insurability during the period.

There is no question that "term insurance," as such, is not a desirable form of insurance. I believe that the Government could afford to increase the pay of the soldiers proportionately. When I first made the first draft of this bill, suggesting that the Government should furnish free during the service the premium on a 20-payment life insurance, of \$4,000 for each soldier, the question of increasing the soldier's pay was or had just been before Congress. To have the Government pay for this insurance is just increasing the soldier's pay that much. The question involved is merely whether you can afford to give the peace premium to him during the service or not.

The CHAIRMAN. You want to make him a present of \$4,000 of insurance?

Mr. EKERN. I think the Government could afford to pay a premium on a 20-payment life policy during his service without cost to him.

The CHAIRMAN. And without calling on him?

Mr. EKERN. Without calling on him for any contribution for that purpose.

The CHAIRMAN. That is these other gentlemen's proposition except that you have quadrupled it.

Mr. EKERN. No; that is not the other gentlemen's proposition at all. The other gentlemen propose that you should give them a \$1,000 term insurance, not a 20-payment premium. The other gentlemen propose that you should insure them for 5 years, or for 10 years, after the service, but it is of little benefit to him to have an insurance terminating while his children are young when he most needs it. My proposition is that this 20-payment life insurance shall continue through the rest of his life.

The CHAIRMAN. Whether he is hurt in the service or not?

Mr. EKERN. That has nothing to do with it.

The CHAIRMAN. You just want to reward him because he did go out and run the risk of being hurt?

Mr. EKERN. The Government will not be contributing anything to the cost of the insurance after the war. The insured pays it all. The Government only contributes the management expense under any plan by which the soldier is granted insurance under this bill—and I am for this bill in the way it stands—he should be given the benefit of gains and savings in dividends or a return of savings. If the mortality is less than that provided for or the interest earned is more, the soldier or sailor who carries this insurance should be given the benefit of the gain. That disposes of any question of the Government insurance costing more than private companies, because obviously the men die at the same rate whether they are carrying Government insurance or private company insurance, and the total claim will be the same in both cases. The vital thing is that these men shall get something which carries on their insurance through their lives.

The CHAIRMAN. If a man serves during the war and comes back perfectly healthy and well and all right, why does the Government owe it to him to insure him during his life any more than it owes it to me?

Mr. EKERN. One reason is this, that you are going to give this insurance to a lot of men anyway who will come back impaired. You are going to continue the men who are impaired during service, there is no question about that, and you will take care of them for life. The man who comes back impaired, who will have a heavier risk, will have his insurance carried at a net cost—net American Experience 3.5 per cent—

Senator SMOOT. Should he not?

Mr. EKERN. He should; there is no question about that. The man who comes back, and who is a better risk than the man who is impaired, if he is to have no right to continue his life insurance, would have to go out and buy his insurance at a higher rate than that offered by the Government. There is no reason why the Government, having that machinery, should not, by reason of this man having been in the service, afford him that much benefit.

The CHAIRMAN. That is service pension in the guise of insurance.

Mr. EKERN. Pardon me, it is only service pension in the sense that there is the right to carry it on without contribution for expenses, and it might be regarded as a service pension.

Now, I desire to say one thing about the matter of expense. It is objected that the administration of this law will be very expensive to the United States Government. I wish I had the time to give you the figures as to the cost of operating this department of the Government, and compare these with the same cost in private companies.

Senator SMOOT. I know about that better than you do, because I am up against it every year. There is no reason for your taking time upon that proposition.

Mr. EKERN. I understand that, and I will merely refer to the expenses in life insurance. The expenses of transacting the business of private insurance companies doing business in Illinois—which includes all the large life insurance companies—is \$223,000,000. There are about 160 other life insurance companies in the United States, which means a total of \$240,000,000 or \$250,000,000 a year for the actual expense of doing the life insurance business in the United States. Conservatively estimated, the solicitation expense of putting the new insurance on the books is three-fourths of the total expense. This is \$180,000,000 or \$190,000,000 a year. The rest of the expense is largely management expense. The governmental management expense of this business certainly would be very small in comparison. The companies doing business in Illinois write about three and one-half billions of insurance during the year for the \$180,000,000 of acquisition expense. The Government insurance on a million men, supposing it to be \$4,000 on each would be four billions of insurance. All the Government would have to pay in expense would be merely the overhead for this business, because automatically, under this bill, as I understand it, the moment the man takes this insurance the premium is deducted from his pay, and there will be no elaborate solicitation system or any large expense for collecting these premiums.

In view of the economic saving which could be effected by making this insurance automatically applicable to every person in the service, I believe this could well be done as above suggested. This would be more liberal than the present bill but no more so than warranted by the kind of service required and by the social and economic gains which would follow.

The CHAIRMAN. Will you please prepare your figures and hand them to the clerk?

Mr. EKERN. I will leave this paper with you.

The CHAIRMAN. The paper will be inserted in the record.

(The paper referred to is here printed in full, as follows:)

The official reports of 85 companies doing business in the State of Illinois for the year 1915 give amounts paid out for expenses as follows:

| | |
|---|-----------------------------|
| Commissions to agents..... | \$70, 041, 925. 48 |
| Salaries, medical fees, officers, employees, and other charges..... | 60, 330, 802. 83 |
| All other expenditures..... | 93, 078, 105. 50 |
| Total expenses..... | 223, 450, 833. 81 |
| Other disbursements: | |
| Paid for losses and claims..... | 303, 091, 333. 07 |
| Dividends to policyholders..... | 112, 082, 467. 80 |
| Lapsed, surrendered, and purchased policies..... | 120, 738, 812. 07 |
| Dividends to stockholders..... | 2, 427, 131. 53 |
| Amount of new insurance..... | 3, 647, 424, 998. 55 |
| Insurance in force end of year..... | 21, 653, 020, 850. 36 |
| Termination by death..... | 235, 995, 793. 55 |
| Termination by expiry, maturity, and disability..... | 247, 342, 520. 56 |
| Termination by surrender..... | 470, 114, 378. 17 |
| Termination by lapse, not taken, decrease and transfer..... | 1, 644, 973, 737. 80 |
| Total..... | 2, 598, 426, 430. 08 |
| Net gain in insurance in force..... | 1, 048, 998, 568. 47 |

Mr. EKERN. The above figures would bring the solicitation cost to about \$45 per \$1,000. For a smaller number of the large companies the Connecticut insurance department figures the first-year cost at \$32.68. At either figure the saving in solicitation expense alone would pay the \$8 per \$1,000 in premium from four to six years.

The CHAIRMAN. The committee will now hear Mr. Milliken.

STATEMENT OF R. C. MILLIKEN, WASHINGTON, D. C.

Mr. MILLIKEN. Mr. Chairman, I have an amendment as an additional article to article 5 of this bill, which provides for giving an additional optional policy, a 20-payment life policy, for \$2,500 to unmarried men in the service in lieu of the benefits of the insurance provided in article 4.

I may say that 90 per cent of the men in the Army, or between 80 and 90, to be absolutely safe, are single men. They have no legal dependents. They have moral dependents, but they have no legal dependents. Of course, the married man must—he is obligated to take care of his wife, and that insurance should go to his wife and minor children. But now, to get a plan to suit the soldiers. These young men will not take this insurance, and I speak from experience, because I went out and solicited the soldiers of the First Battalion of the Sixth United States Engineer Regiment. I did not know a soul; I did not know what was out there; I did not know what regiment was stationed there. I looked up the commandant and stated my proposition to him, and he agreed to get some soldiers to whom I could talk. They met me in the post-lecture room. The commandant gave them a furlough to go and see the committee and be heard. They got the bills there and they studied them, and in the next week or 10 days they studied the bill that is before you now, and they had hearings before the House committee, and then they issued this petition which I am going to read. This petition was before the post.

The CHAIRMAN. Did you not put that petition in the House hearings?

Mr. MILLIKEN. No, sir. That has been gotten up since, in the last day or two. This petition was signed by over 200 men after it had been on the bulletin board over two days and then withdrawn.

(The petition referred to above is here printed in full, as follows:)

To the Congress of the United States:

We, the undersigned enlisted men of the First Battalion of the Sixth United States Engineer Regiment, would most respectfully present this petition to you as an expression of our sentiments on the soldiers' insurance bills pending before you.

We strenuously oppose that section of House bill 5723, known as the Mack bill, which seeks to have the Government withhold half our pay. But if that section is passed over our protest, then we ask that the Milliken bill be substituted for Article IV of the Mack bill.

Article IV of the Mack bill makes it optional with each soldier to take from \$1,000 to \$10,000 insurance at an annual cost to him of \$8 per \$1,000, but the soldier must die to enrich relatives, for the soldier can never realize any benefits from it himself; whereas the Milliken bill makes it compulsory for each soldier to take \$2,500 insurance on the 20-payment life plan at a monthly cost to him of \$5 to be paid by the Government out of the half pay to be withheld. But the Milliken bill makes provision for the surviving soldiers to realize something after the war and for engendering a wholesome cooperative spirit among the soldiers themselves.

The Mack bill would have the Government itself conduct our insurance business, while the Milliken bill provides the Government shall negotiate with one of the big companies to do it for us.

The Mack and the Milliken bills are alike in this, that both provide the Government shall pay the war hazard on our insurance, that is, the difference between the civilian rate and war rate. Both provide also that the Government shall defray the expense of management. We believe the Government owes us the duty to pay this war hazard, as our assuming the extra hazardous duty of defending the Government on the battle field so increases the cost of insurance to us as to make it prohibitory to us, because the Government is the only power which can tax the very interests we represent in performing such duty and distribute that burden equitably among such interests.

In this connection it should be borne in mind that when most of us left civil life labor was more highly rewarded, probably, than at any period in the history of the country, and the opportunities for investment for our civilian population during the war will be excellent, all of which will be denied us. And when we return from the necessary duty of destruction to the more congenial pursuits of production such conditions will be reversed; and as we will have nothing to sell but our labor, it necessarily follows that such former comrade in the battle for liberty will be arrayed against each other in the battle of life. Therefore we feel it would be a gamble on our part to neglect the duty of insuring our lives on the cooperative plan provided by the Milliken bill, if Congress makes the provision.

With the Government assuming such extra hazard, such a company could not fail, and we can go to the courts and have our contracts with the company enforced. But with the Government you never know where you stand. It raises your pay one year and takes it away the next, and you must resort to all manner of red tape to get a cent out of it and beg officials to give you what belongs to you. Each administration would interpret that law in a different light; and with the wealth of the country fighting the heavy taxes imposed as a result of the war, we fear a powerful lobby would form here to prevent its liberal interpretation in our favor; and the individual soldier would be powerless to oppose the influence of such a lobby. Therefore we believe our interests would be best conserved if the Government negotiated with one of the big companies to do that business for us, because such a company could not be induced to assume a contract involving such a stupendous obligation unless it could enforce such a contract in the courts, and Congress can protect us against the company by seeing to it that its contracts with us are so enforceable. That would afford us double protection and at the same time guarantee us against sinister political influences.

Respectfully.

Now, these gentlemen to-day ask to have this made compulsory. Under my plan it would require \$5 a month instead of \$8 a year per thousand under the bill that is before you here, the Simmons bill. My bill also provides that instead of the Government doing this, the Government appoint a commissioner to go and negotiate with one of the big companies, any one of the companies having a large insurance in force, limiting the expense of management and eliminating all overhead charges—that is, salaries, commissions and fees to officers and soliciting agents, directors and trustees, and all office rent and advertising rent. The company could do that business far more economically than the Government could. It has an organization. It requires time; it requires years to build up any of those organizations. Now, you have not the organization. You have nothing to do but pay the clerks for doing the business.

I have not a bill prepared with this amendment—that is, as an additional article—but if the committee desires it I will have the statement submitted to it in the morning.

The CHAIRMAN. You may prepare it and hand it to the clerk.

The CHAIRMAN. Judge Julian Mack desires to be heard, and he will be the next gentleman to appear before the committee.

STATEMENT OF JUDGE JULIAN W. MACK, UNITED STATES
CIRCUIT JUDGE, CHICAGO, ILL.

Judge MACK. Mr. Chairman, I do not know just how fully you want me to go into the bill.

The CHAIRMAN. I wish you would first, before you begin your argument, tell us what you think of the amendment which was offered by Dr. Richardson.

Judge MACK. I am opposed to the amendment offered by Dr. Richardson with regard to reeducation, and for this reason: One of the very most important obligations of the Government in this crisis will be to provide, or to see that there are provided, methods of rehabilitation and reeducation. Every country engaged in the war is doing that. Germany, with her usual foresight, did it long before the war for the victims of industry. The allies had a conference on the subject last May in Paris. The Surgeon General's office has been collecting a vast amount of literature. There are men on the ocean to-day who are going over to study how the thing has been done and is being done in England and in France, and who have studied how it has been done in Canada. Just what is the best method of doing this is a matter upon which I am not prepared to express any opinion now, and which I believe should be the subject matter of very thorough consideration and discussion, to which there should be invited representatives of labor and capital, because the question of the placing of these reeducated cripples, receiving Government compensation in the future industry of the country, is a very vital one to the country at large.

Now, it is just because of these things, because so many people are at work on the problem, the Red Cross in addition to the Surgeon General's office, that in this bill we put in only two fiscal provisions—and it is a fiscal bill—in regard to reeducation and rehabilitation. We assume in the bill that the Government is either going to provide it or procure it to be provided. Then we provide what all countries are now doing, that a man shall not lose compensation that the bill gives him, for instance, for loss of his legs, because through this reeducation he has bettered his economic condition, and secondly that he shall have his compensation suspended if he unreasonably refuses to undergo a course of reeducation. In other words, the point is to stimulate him to make the most of life, instead of being content with the dead level of Government compensation.

The CHAIRMAN. Your idea is just to leave the Surgeon General to manage it as he is now doing and not to put anything into this bill to prevent its being transferred to some other jurisdiction, if it was thought better?

Judge MACK. Precisely. I say that in view of this fact: For instance, in France they have established what they call the office national, under the general auspices of the ministers of war, of education and of labor. We may assume it is advisable to put the beginning of this in the Surgeon General's hands, if a man is in the Army. We may then, if we wish to, put it in the Department of Labor, the Department of Education, or some new bureau of the department. I am very sure it ought not to be in this War-Risk Bureau. That is another reason why I did not think it ought to be in this bill, but the fiscal provision ought to be in.

Mr. Chairman, shall I discuss the bill as an entirety and point out different features of it?

The CHAIRMAN. I do not think I would, because you have discussed that matter at the House hearings. If I were you, I would just take up the points suggested to you this morning by those who criticized the bill on fresh points.

Judge MACK. With the amendments that the House has made?

The CHAIRMAN. Yes.

Judge MACK. Permit me to say as to the amendments that the House has made the first amendment is in sections 1 and 2. We had in the original bill what was thought to be an exceedingly moderate salary for the director of this bureau and for the commissioners of the two divisions of the bureau—the present bureau dealing with marine insurance.

The CHAIRMAN. Where is that to be found?

Judge MACK. On page 2, line 5. The House cut down the salary of the director of this bureau from \$6,000 to \$5,000.

Senator SMOOT. There is a reason for that, of course. The Commissioner of Indian Affairs gets \$5,000 and the Commissioner of the General Land Office gets \$5,000.

Judge MACK. Yes; and that is why we put the commissioners of these two divisions at \$5,000, and the director of the whole thing, as it is going to be an enormous work and new work and constructive work, at \$6,000.

Senator SMOOT. The Commissioner of the Land Office has more billions of dollars under his charge than any other man in the country, and he draws less salary.

Judge MACK. Yes; but that is an old established department—I do not mean to say for a moment that the work he is doing is not vastly important; of course it is, but nevertheless it is not of a new, constructive character, such as this.

Senator SMOOT. I know that they are doing a great deal of work—the Commissioner of Indian Affairs and the Commissioner of the General Land Office. They spend more hours at it, and they do a great deal more work than many of these commissioners who get \$10,000, and those men are only getting half the pay.

Judge MACK. That may be a reason for raising their salaries. As a matter of fact, the Secretary feels very strongly about it, as I do, that \$5,000 is an utterly inadequate salary, and that even the \$6,000 that we suggested originally was inadequate, even for Government salaries.

Now, Mr. Chairman, I will only touch on these amendments that I think ought to be corrected or that have been omitted and not touch upon those that I think are entirely proper.

The CHAIRMAN. There is one thing that I want you to do a little later, not now. In the hearings by this general committee of five insurance men they made suggestions of certain amendments. I wish you would draw up for the subcommittee just a little statement in the nature of a brief as to which one of those amendments was adopted before the bill was introduced in the House or by the House committee or by the House itself and which of them were rejected and why.

Judge MACK. Yes, Mr. Chairman.

The CHAIRMAN. You may file that with the clerk. I may want to use it in the subcommittee and, as a matter of fact, on the Senate floor.

Judge MACK. You mean in their original report to the Secretary of the Treasury that that committee of ten made?

The CHAIRMAN. Yes. It is in the first hearing before the House committee.

Judge MACK. Yes; I have it. I know to what you refer.

The CHAIRMAN. It is Part I. I think they made a number of suggested amendments, and I want to know what became of each one and which was adopted and which declined, when declined and adopted, and why.

Judge MACK. I remember that one or two of them were accepted in the drafting of the bill.

The CHAIRMAN. If they were accepted, mention that fact in order to show what has been done in accordance with that schedule.

Judge MACK. Very well. You say I shall not touch on those amendments in the House bill that are entirely acceptable. Some of them are mere matters of form.

Senator SMOOT. No; we will take care of them.

Judge MACK. I just want to call your attention to page 9, line 9, to the definition of the term "commissioned officers." Of course, that includes warrant officers. It provides [reading]:

The term "commissioned officer" includes a warrant officer, Army field clerk, and field clerk, Quartermaster Corps.

That is in the bill as it comes before you. That is an entirely proper insertion because it gives them the compensation and insurance. They have a peculiar standing. They are not enlisted men, but they are officers in the military service under the decisions of the Attorney General and the Judge Advocate General.

The CHAIRMAN. It says "warrant officer."

Judge MACK. That is a Navy term, but these men are in the Army proper. I merely say it is a proper amendment and covers the point; otherwise there would be an hiatus.

Now, there is one amendment that I desire to suggest again, simply for clarity that was not made by the House inadvertently. It is on page 13, line 13, in place of the words "to his next of kind." "His next of kin" is capable of several meanings and does not include in many States a wife, and, therefore, to be perfectly clear, I would say, "such person or persons as would under the laws of the State of his residence be entitled to his personal property in case of intestacy." It is simply a suggestion of better language than the words "to his next of kin."

Senator SMOOT. Of course a wife is not next of kin.

Judge MACK. Precisely. I desire also to call attention to line 24 on the same page. The House made a change and said, "No family allowance shall be made for any period preceding declaration of war." The result of that is this, that all of these family allowances would in all probability have to be paid since April 6, up to the date of the passage of this amendment. That means a large sum—six or eight months of back pay that would go to the families of those men.

Now, that may be just and it may not be. The Red Cross wanted us to put in this bill a provision that they should be reimbursed by the Government for moneys paid out by them for soldiers' families preceding the date of the declaration and we refused to put that in because we said we would have to put in all charitable organizations. Now, for the same reason, query, whether the family itself should get it? They have gotten along somehow or other through the means of charity. Query, whether the Government should give six or eight months' back pay. That is required by the provision. It is not in the original bill but that is a House provision. We did not have it in that way.

The CHAIRMAN. If I understand this House amendment correctly, of course the utmost the man ought to ask for would be from the day he enlisted in the service.

Judge MACK. That is all he gets. But you see this applies to the Regular Army.

The CHAIRMAN. The date preceding his call to the colors.

Senator SMOOT. This covers the Regular Army, and they were all in the Army, and it seems to me that if this provision stands they will claim whatever benefits there are from the day the war was declared, April 6.

The CHAIRMAN. By the way, this declaration of war ought not to be in here. We declared a state of war existed. But we can amend that when we come to it in our consideration.

Judge MACK. That is the only point about it and I thought it my duty to call your attention to it.

Senator SMOOT. It will cost many hundreds of thousands of dollars.

Judge MACK. It may cost a great deal, but I doubt whether there is much going to the families of enlisted men.

Then I want to call your attention to the possibility of interpreting this in such a way that it would not accomplish its purpose. A man can not get a family allowance unless he makes allotments. These people have not been making an allotment. Query: What is the meaning of this? Does it mean they are to get an allowance even if they have not made allotment? Does it mean they must pay back six month's allotments? I do not know. It is one of the doubts that has arisen.

The CHAIRMAN. The House inserted "any period preceding declaration of war." It appears in section 204.

Judge MACK. In the original bill we had it in this way: "No family allowance shall be made for any period preceding the enactment of this amendment." The act takes effect as of the date it is adopted, and that ends it.

The CHAIRMAN. I think both are wrong, and I will tell you why. We have sent a lot of these boys to France, and they ought to be able to take advantage of this—

Senator SMOOT. It is not the wording we want, anyway.

The CHAIRMAN. Very well, we will pass that.

Judge MACK. You mean they ought to get back pay for their families?

The CHAIRMAN. Those that are in service in France.

Judge MACK. Then you want to leave the House declaration as it is, because they can not get it back of their enlistment anyway.

The CHAIRMAN. I think we can re-form that so that it will be in better language.

Judge MACK. Very well. The next point—due to carelessness—is on page 16, line 6. For perfect clarity, the words “the allotment” should be “this additional allotment.” That makes it perfectly clear. As it came before the House that paragraph was numbered (*d*), and it was not intended to be numbered (*d*), because it was intended to limit only (*c*) and not to limit the other provisions; but as the House amendment of it simply strikes out (*d*), as I suggested, this does not quite make it clear enough. “This additional” will make it perfectly clear.

Senator SMOOT. Supposing, to make it compulsory, we make both (*a*) and (*b*) compulsory.

Judge MACK. This provides it may be exempted; that is, exemption from this additional allotment—that is, and class (*b*), as the condition of allowance may be granted.

Senator SMOOT. The bill provides:

On the enlisted man's application, or otherwise for good cause shown, exemption from the allotment as a condition to the allowance may be granted, upon such conditions as may be prescribed by regulations.

Now, that follows subsection (*c*), which recites:

If he is making the compulsory allotment to a member of class (*a*), the minimum monthly allotment so designated to be made to members of class (*b*) shall be one-seventh of his pay, but not less than \$5 per month.

Then it goes on—

Judge MACK. That is additional.

Senator SMOOT. But on lines 5, 6, 7, and 8 the provision in those lines, it seems to me, makes the allotment of both (*a*) and (*b*) compulsory.

Judge MACK. No.

Senator SMOOT. Why does it not?

Judge MACK. (*b*) is not compulsory at all.

Senator SMOOT. I know it is not compulsory, but does not this make it compulsory?

Judge MACK. By saying he may be exempted? No; it says he may be exempted from it as a condition to the allowance. It is compulsory as a condition to the allowance.

The CHAIRMAN. Suppose we put in the words “under class (*b*)”?

Senator SMOOT. Then there would not be any question about it.

Judge MACK. “Exemption from the allotment to class (*b*) as a condition to the allowance may be granted,” and so forth. That is all right.

Now we come to a more important matter—section 300.

The House inserted in line 19, page 17, the words “in the line of duty.” I suggested, and again suggest, not only that those words be stricken out but that the original language, “in the course of the service,” be stricken out, and that there be added at the end of the paragraph the words, “but no compensation shall be payable if the injury or disease was caused by his own serious and willful misconduct.”

That would not include the same thing.

Senator SMOOT. What would you call or class as serious?

Judge MACK. I do not know. I followed the language when I say "serious," of the Massachusetts compensation act, which is generally considered as one of the best of compensation acts.

Senator SMOOT. We never used that word in any pension act that we have ever passed, and this is virtually a pension act.

Judge MACK. You have used the word—

The CHAIRMAN. "Serious or willful misconduct"?

Judge MACK. I said "serious and willful misconduct."

The CHAIRMAN. Why the adjective? Why not say "by his own misconduct?"

Judge MACK. You have had that language before and it has been interpreted to include negligence, and to-day, under the compensation laws, a man gets compensation even though he has been negligent and misconduct has been interpreted under the decisions of the Judge Advocate General as including negligence. I want to exclude negligence, and therefore I use the word "willful."

The CHAIRMAN. Why not say "willful." The question is, what is serious? "Serious" is not a law term and "willful" is.

Senator SMOOT. I suggest that we take it out.

Judge MACK. The point about the line of duty is this: Congress once defined "line of duty," in 1866, as applying to the law of 1865. The Court of Claims has rendered a decision defining "line of duty." The Pension Office, the Judge Advocate General's office, and the Attorney General's office differ among themselves in the definition as to the scope of "line of duty," as applied to different acts, and they differ among themselves as to its application to some of the same statutes.

Senator SMOOT. But there is no difference in the construction of "line of duty," as applied to any pension act that we have ever passed.

Judge MACK. There could not be because the Pension Office decision is supreme.

Senator SMOOT. This is virtually a pension provision, and it seems to me it could be construed to apply exactly the same as the law applied to pensions.

Judge MACK. I differ with you, and for this reason: In the first place, it is compensation based on the analogy of the compensation act, and therefore the pension system would not be looked to in all probability for an analogy.

Senator SMOOT. Maybe not if we leave compensation there, but if I had my way I would put it in, not muddle it up, and say "pension for death or disability."

Judge MACK. Now, secondly, I disagree totally as to the definition that has been given to "line of duty" by the Pension Office in its latest interpretation. I should not want to see that enacted into law again. Only this year the Judge Advocate General's office and the Pension Office have disagreed as to "line of duty" in the same case, and the way the Judge Advocate General's office came to have an opinion on the subject is that Senator Newlands requested an interpretation by the Judge Advocate General's office. Of course, as they answered him, their interpretation does not count, as the Pension Office is supreme.

In the gratuity act of 1908 it was provided that one killed in the line of duty should get a gratuity. In 1909 that was amended, and the words "in the line of duty" were stricken out, and in accordance with the suggestion here similar language was used, except they used the word merely "misconduct"—"no compensation shall be given in case of misconduct," but they struck out "in the line of duty." There was a case raised on that point in the Court of Claims, arising between the original act and the amendment, so the Court of Claims had to construe "line of duty." They construed "line of duty" in the way the Attorney General and Judge Advocate General have construed it, as including the time that a man was off on leave of absence, and that was not merely leave of absence. It is true it is dictum, but they went a great deal further in that dictum, and the Judge Advocate General's office believes that that dictum is absolutely sound.

The point I make is that you have this complicated. Why use language which Congress took out of the gratuity act in 1908.

Now, let us see what we want to cover and then make it clear. I should say we wanted to cover the man's active service—a man who was subject to a 24-hour call, always employed, who was subject to termination of leave at any moment, and both when he is away on leave as well as out in the field, unless through his own willful misconduct he brought the thing on himself.

The CHAIRMAN. When he overstays his leave he is not on duty. Then, of course, he is guilty of misconduct.

Judge MACK. I would strike out lines 18 and 19. I say strike out, because "in the course of service" puts another new phrase into the law, which has not been interpreted, and there is no telling how it will be interpreted.

Referring to section 301, the House amendment is very serious. It is serious in two aspects.

The CHAIRMAN. What is the House amendment?

Judge MACK. Line 2, page 18, they have inserted the words there "marriage contracted before." The question is this: Shall a widow get a pension only if she was married to the man at the time he went into the service or was injured, or shall a widow get a pension, no matter when she married the man? There is the fraud possibility that is always thrown up—the 85-year-old soldier marrying a designing woman of 25 who wants only to get his pension. What are the facts that confront us at this stage of the game? Our boys are going out at ages from 21 up to 31, and will come back at ages from 21 to 35, say. Suppose they come back cripples; they come back men; they come back wanting marriage. Is there anybody in this country who more deserve the loving care of a wife and children than those men? They are eugenically fit, unless they have made themselves unfit. But, despite the fact they are cripples, they are fit for marriage, and the marriage of those men ought to be encouraged. Entirely apart from the question of individual rights comes the question of the stock of this country. Do we want the stock of these soldiers to die out just because those soldiers are cripples? If anything, we ought to encourage the marriage of those men; but apart from that argument we certainly owe a duty to those men not to put obstacles in the way of their getting married. Now, they come back cripples; they come back getting

this minimum pension that will give them a bare existence; they can marry and their disability pension keeps on—it increases as their families increase; but when they die the woman who has had to sacrifice herself for them in their lifetime is cut off.

The CHAIRMAN. The House inserted just what language there?

Judge MACK. In the original bill we had no limitation. The House has put in “from a marriage contracted before or within 10 years after the injury.” The result of that is a woman must marry a man within 10 years after the injury to get the compensation after his death. I think it is proper enough to put in some limitation, and the question is whether 10 years is long enough in view of the youth of our boys when they go out, whether we should put in 15 years; but whether you make it 10 years or 15 years you ought not to put in this language, because, unintentionally I think on the part of nearly everybody in the House, this cuts off children. If a man marries a woman after 10 or 15 years, you may say it is right she should not get her pension after he dies; but surely it makes no difference whether they are her children or the children he now has, they are his children, and ought to get the pension irrespective; therefore I submit the way to cover that is this: This is my suggestion, to strike out the words “from a marriage contracted before or within 10 years after the injury”; then if you want to limit the widow to one who marries the man within 10 years or 15 years, or any other period, you would do it by inserting at the end of this—

The CHAIRMAN. You do not want to strike out the “if”?

Judge MACK. No; we do not want to strike out the word “if.” You want to strike out the other words. You would insert at the end of section 301—that is, at line 2, page 20, you would add the word “widow” as used in this section—“shall include only one who shall have married deceased within —— years after the time of the injury.”

The CHAIRMAN. I think they are hardly apt to marry a man after 50 years without mercenary motives, and I think therefore if you gave them 20 years, which would bring them up to 51 years of age, the oldest of them, it would be a very good period, and fair.

Judge MACK. You have got to take into consideration the officers, Senator, lots of whom are 50 now, and you would give them the 20 years.

The CHAIRMAN. Yes.

Judge MACK. As far as I am concerned, I should like it out altogether, but if you want to put in some limitation, all right, but under no circumstances cut out children. I suppose you ought to define the word “widow,” and I suggest this addition:

“The word ‘widow,’ as used in this section, shall include only one who shall have married the deceased within —— years after the time of the injury,” inserting whatever number of years you think is wise there, making that 10, 15, or 20 years.

The CHAIRMAN. After the time of peace?

Senator SMOOT. No; after the time of injury.

Judge MACK. Somebody objected on the floor of the House that it was not perfectly clear. I do not know; to me it sounds clear; it may be better, however, to say either before the injury or within 15 years after. What do you think?

Senator SMOOT. You would not want it 15 years before.

Judge MACK. No; "before the injury or within 15 years after the injury."

Senator SMOOT. That is the same thing.

Judge MACK. I agree with you, but some people say this is not perfectly clear. I thought it was absolutely clear.

Senator SMOOT. Yes.

Judge MACK. Representative Parker made the amendment in the House, and he first said, "within 10 years," then he changed it and said, "before or within 10 years."

Senator SMOOT. All right.

Judge MACK. I do not care which way that is phrased.

Now, the next amendment is in that same section. The House changed the entire scheme of death benefits. The scheme that the bill outlined, page 18, was a percentage of the man's pay. In other words, there was a difference between privates and noncommissioned officers on the one hand and commissioned officers on the other hand. The widows of the privates and noncommissioned officers were given a certain minimum and maximum amount; a certain minimum and maximum amount because the percentage would not equal the fixed amounts in the bill, but the officers were given amounts, were given percentages of pay which, in many instances, would exceed these amounts that were fixed for the privates. We also had a provision that the maximum compensation would be \$200 a month. Now, the House struck that out on the argument that it was entirely undemocratic to make any distinction between the widows of officers and the widows of the men; that all should be treated alike under a democratic government. One Representative went so far as to say if he had his way he would give all of the officers and privates in the new Army, not the Regular Army, he did not go that far, the same pay, and he would certainly treat their widows and themselves exactly alike in cases of death or disability. That argument prevailed and prevailed overwhelmingly in the House. All the speeches, practically, were one way—one or two the other way—and the vote was very small in support of the scheme—

The CHAIRMAN. Leaving out the question of difference in compensation between officers and privates, because, of course, the officer does a very much more responsible work, and therefore ought to be more highly paid; but I confess I do not, myself, see after they are both dead, why the widow of one should be treated any better than the widow of the other. Widows have no rank and have no responsibilities and have no duties.

Senator SMOOT. They are treated differently, however, in the present pension law.

Judge MACK. They have always been treated differently, and in all compensation acts, where compensation is based on pay and the widows are given compensation based on the pay their husbands received. I suppose the basis of that is that a man raises his family in the line or on a plane to meet his income, and if he is cut off—if he is an officer in the Army presumably he has not an opportunity to leave much of anything to his family. I presume the reason for the difference is that it is supposed that the officer's widow, having been used to a different plane, is in justice entitled to it.

Senator SMOOT. Judge Mack, if there is a fight made on us on the floor of the Senate along the suggestions made by you, they will beat us the same as in the House. You know there are more soldiers' widows than there are officers' widows, and more vote the one way than the other, so they will beat us on the floor of the Senate.

The CHAIRMAN. Now, without disregarding the fact that all precedents are the other way, I confess, as far as I am concerned, while an officer ought to be paid more than a private, because he does different work and a higher order of work, with a different training and a different equipment, a different preparation and a higher degree of skill and deserves higher pay, just as a man in civil life receives higher pay for more responsible work, yet I do not see the duty of the Republic to do any more for the widow or the children of one than for the widow or children of the other, especially as the Republic is only attempting to keep them from want and to compensate them so that they may live according to the average American standard of living.

Judge MACK. They can not live on that standard in most places.

Senator SMOOT. They can not live at the Portland Hotel, of course.

Judge MACK. That leads to just another argument. It is not, to my mind, vital to the bill, but you are going to get a deluge of special legislation for officers. If Gen. Pershing had not lost his wife, and he should get killed in this war, and his wife survived, you would surely have special pension legislation for her if the House bill prevails.

The CHAIRMAN. If he is a celebrated officer and has done very particular service, he would, and if he was not he would not.

Senator SMOOT (to the chairman). Why take care of his widow after his death any more than of the widow of the common soldier, from your argument?

The CHAIRMAN. Congress has made this distinction. They took care of Grant's widow and Sheridan's widow and Sherman's widow.

Senator SMOOT. And every other officer's widow.

The CHAIRMAN. No; they have not. They have refused to take care of a whole lot of them.

Senator SMOOT. I do not know who they are.

The CHAIRMAN. There are some men who become national institutions.

Judge MACK. I may say in this connection that one of the men who was the most helpful in the drafting of this bill, particularly in the technical draftsmanship; and upon whose judgment we relied greatly on this compensation measure, is a son of Gen. Sherman, and his judgment was largely the guide in the framing of these compensation provisions.

Senator SMOOT. So far as I am concerned, I think the Government owes it to the widows of some of these generals of the Civil War, on whom so much depended, and who were successful in carrying on the war, I think the Government owes them a compensation of at least \$100 a month, and that is the view which Congress has taken and acted upon.

The CHAIRMAN. This is taken on the percentage of their pay?

Judge MACK. That is all cut out by the House.

The CHAIRMAN. What did they cut?

Judge MACK. They cut out all the percentage on pay.

The CHAIRMAN. Then I have not got the House bill.

Judge MACK. Those words should be stricken out.

The CHAIRMAN. The word "percentage" up there ought to be changed into "amounts"?

Judge MACK. They struck that out on page 20, line 7, but they apparently forgot to strike it out here.

Senator SMOOT. Yes; it is evident on its face.

The CHAIRMAN. The way the House intended that was "amount"?

Judge MACK. The "following amounts," yes, instead of "percentages of pay."

The CHAIRMAN. Where was it the House struck that out?

Judge MACK. At page 20, line 7. That was the disability provision. You see, they made the change there and forgot to make it here. My suggestion was to leave in the percentage and put the maximum at \$100 instead of \$200—if our maximum is too high, cut it down—but they disregarded that.

The CHAIRMAN. Where did you have your maximum—on what line on page 18?

Judge MACK. In the original bill it followed "G," it came directly after "G," the words "the maximum monthly compensation for deaths shall be \$200"; but now you see that was based on our having percentages before these amounts. Now, if you leave out the percentages, then you do not have any maxima.

The CHAIRMAN. No; of course not; but if we restore the percentages then we do want a maximum, but we want to restore it to \$100, not \$200?

Judge MACK. Yes; I should agree to that in case of death, and \$125 in case of disability.

Senator SMOOT. Before you proceed further, turn back to page 14 of the bill. Under clause A, subdivision (d), it provides there "that if there be no wife, but one child, \$5"; and subdivision (e), "if there be no wife, but two children, \$12.50."

Judge MACK. The point about that is this: The man himself must allot at least \$15; so, if there is one child, the total that child would get would be \$20; if there were two children, they would get \$27.50, and so on down the scale the per capita decreases somewhat as the family increases. That is the first question everybody has asked.

The CHAIRMAN. Yes; put together, they get more. Now, what else?

Judge MACK. There is a little incongruity in figures on page 18. Let me say that the House raised the figures we had by about \$5. We had \$30, but they have raised \$30 to \$35 and \$40 to \$45, but that is all right. The query is whether the item \$52.50 ought not to be \$55, because it is a little incongruous with some of the other provisions, but it is not worth fighting about. I simply call your attention to it.

Let me call your attention to another amendment the House committee made and the House adopted. I made no argument about it after the committee had made it. Page 19, line 9:

The payment of compensation to a widow or widowed mother shall continue until her death or remarriage.

In the other bill we had it "continue until two years after remarriage." The point of it was if you cut the woman off from this pen-

sion after her remarriage, there is a strong temptation not to remarry, but still the man is around. That was the argument.

The CHAIRMAN. If you cut her off two years after remarriage, the same temptation would remain.

Judge MACK. No; she sees her way clear for two years, and she marries. I simply call your attention to it.

Senator SMOOT. If that is the kind of a fellow she is going to marry, we had better not have her marry in the first place. She had better never get married.

Now, on page 20, subdivision F, line 15, speaking of the soldier, if he has a widowed mother substantially dependent on him for support, "then, in addition to the above, \$10." What does that mean, in addition to all of the above?

Judge MACK. Yes, sir.

Senator SMOOT. Each one of the subdivisions?

Judge MACK. Oh, yes; certainly.

Senator SMOOT. That is, if a soldier has neither wife nor child living he gets \$40?

Judge MACK. And if he has got a mother he gets \$50.

Senator SMOOT. And if he was a widowed mother he gets \$10 more?

Judge MACK. Yes.

Senator SMOOT. So it is if he has a wife and no child living?

Judge MACK. He gets \$55.

Senator SMOOT. Then he gets \$10 more?

Judge MACK. Yes; he gets \$10 more on account of his widowed mother.

Senator SMOOT. That ought to be made clear.

The CHAIRMAN. The question which occurs to me, if he has a widowed mother, substantially dependent on him for support, "then, in addition to the above amounts, \$10"?

Judge MACK. All right.

Senator SMOOT. You see, the above may have been just as to (e).

Judge MACK. Yes; I see the ambiguity. You know one does not see the ambiguities in his own language until they are pointed out to him. He knows what he had in his head.

Let me make a comment on this thing generally. We have not provided for compensation for other dependents than the wife, children, and widowed mother, and the wife and children get it, of course, irrespective of needs; the widowed mother gets it only in case she is substantially dependent on him for support. The reason we did not provide for the others is this, that the more inquiry into actual dependents that you have to make, the larger your administrative machinery grows and the greater the opportunity for fraud.

The CHAIRMAN. That is very true, Judge.

Judge MACK. The insurance provision is intended to supply this as well as a good many other things. A man, by insurance, can take care of his other dependents if he has got them. That is why we made no provision for it.

The CHAIRMAN. That is true; but there are two phases. This ought to go two steps further, or to go to a dependent father, who is apt to be an old man and helpless, or a dependent sister, which is the most pathetic case of all. So I would want to put in another clause there—

“if a dependent father, so and so, and a dependent sister, so and so”—and I would stop at that.

Judge MACK. I will draft an amendment along those lines and leave out the words “widowed mother,” because it would be a mother, whether widowed or not. You mean you would provide for the poor mother whether she was widowed or not?

The CHAIRMAN. Yes.

Judge MACK. It would be a mother, father, or sister?

The CHAIRMAN. Yes.

Judge MACK. Personally I have no objection to the scope of the thing—to extending the scope.

The CHAIRMAN. I am with you in not allowing it to be extended too far.

Judge MACK. It will be extended.

The CHAIRMAN. But the more we extend it justly the less they are apt to extend it unjustly, and there are plenty of cases of dependent sisters—more pathetic cases, if anything—because they are too old to learn new ways of supporting themselves, and the father not taken care of in old age is a pitiable spectacle.

Judge MACK. You would make each of those a question of dependency upon the man?

The CHAIRMAN. Absolutely; yes.

Judge MACK. And you would extend it to father, mother, and sister. How about after his death? We have given it only to a widowed mother.

The CHAIRMAN. Well, I would give it to the father and sister, if dependent upon the deceased.

Judge MACK. That is page 18, line 15, D.

The CHAIRMAN. If dependent upon the deceased.

Judge MACK. Yes; substantially dependent.

The CHAIRMAN. I do not know about that word “substantially.”

Judge MACK. I think that is essential.

The CHAIRMAN. All right, let it go. I would rather see it absolutely dependent, though, but still—

Judge MACK. They may not be absolutely dependent on him; they may have some little of their own and yet be dependent.

The CHAIRMAN. All right.

Judge MACK. Now, the House made this important amendment, at the bottom of page 20. They provided that for the loss of both feet or both hands or both eyes, or for becoming totally blind for causes occurring in the service of the United States, the rate of compensation shall be \$100 a month, but that includes the \$20 for nurses or attendants. Now, the argument about it is this: The pension law gives \$100 a month for these causes, irrespective of whether a man is a bachelor or has a family. The provisions of this compensation act, like those of England, France, and Germany to-day were based on the size of the family, and therefore a single man was given only \$40, even though he had both arms off. In other words, we reduced the present pension law so far as applies to these people in some respects, and decidedly increased it in others. We took very much better care of the widow and children than the present law did, but we did not make anything like as good provision for the single man.

Senator SMOOT. In the present pension laws we have not taken care of the Spanish War veterans' widows at all yet.

Judge MACK. No; I know you have not. You have not taken care of any increase. You have taken care of them for the nominal amount—the \$12 amount.

Senator SMOOT. I mean they do not get \$20 a month.

The CHAIRMAN. How would it do for us to amend this act, to say if a man had no wife or children nor any dependent relatives, \$50; and if he has a wife or children or dependent relatives, \$100?

Mr. KERR. In regard to the blind man, you give him \$20 in addition. It must be understood that that man is the same as being married; he has got to have some one look after him all the time; he can do nothing; he is helpless. Now, the man whom he hires you have got to be substituting, so out of that \$40 or \$50 a month it seems hardly possible that he could do it. That is the purpose of the pension law; they make it \$100 a month for total blindness, or say, with a man who has lost both hands or feet. They realize he has got to be taken care of. His condition is on a parity, in some respects, with the man whom the blind man hires to look after him. A man who is absolutely helpless has got to be helped.

The CHAIRMAN. It destroys the theory of compensation but accomplishes substantial justice.

Judge MACK. I have absolutely no objection to it; my only point is, Does it go far enough? In other words, there is no logic, to my mind, in making a distinction between a man who has lost both hands and a man who is bedridden, except that the former is dismembered. Take the man who is bedridden but has not lost a member; I should say he was in a worse condition, yet they do not give him the \$100.

Senator SMOOT. We do not under the present law.

Judge MACK. No.

The next is page 25, section 34. That created a good deal of fight. The lines 22 and 24. We had 1 year and they have changed it to 10 years. The point about it is this—

Senator SMOOT. You have these words here, "in the course of service." "in the line of duty."

Judge MACK. No; that is not what was meant; "during the service" was what was meant. Now, they did not amend section 308. The argument was made on the floor of the House that the present pension law gives no time limitation at all. If a man has been injured during his service in the line of duty, they said he ought to be able to come for his pension at any time. Well, in section 308 we have provided this, that the man must be injured, of course, during his service, but the disability may arise either during his service or after the discharge. If it arises after discharge, he must have obtained a certificate from a director within a year after discharge that he has an injury that is likely, in the future, to cause his death or his disability. Now, if he gets that certificate, it does not make a particle of difference when he dies or when he becomes disabled, his compensation begins on death or on disability without time limit, provided only he has got the certificate.

Senator SMOOT. Ninety per cent of them would not undertake that within a year's time.

Judge MACK. Oh, yes; they know they have got a bullet, for instance, or something of that kind. The Army itself will provide for their examination on mustering out to determine these things.

Senator SMOOT. We find now, in regard to the Spanish War Veterans, for instance, they go 10 years and they do not know of anything that is the matter with them particularly; they have no particular pain, yet we get certificates by the hundreds that it was caused by service originally.

Judge MACK. That is what we want to prevent; that is, the frauds; pensioning the man who has not become disabled during service.

Senator SMOOT. One year is too short a time.

The CHAIRMAN. And 10 years is too long.

Senator SMOOT. Perhaps so, but one is too short.

Judge MACK. Pardon me, but this 10 is an entirely different thing. Section 308 provides that he must get a certificate within a year after his discharge from the service that he had got an injury—not that he is disabled, but that he has got an injury—that is liable in the future to cause disability or death. It does not make any difference when that disability or death arises; it may arise 8, 10, or 20 years after discharge. Under section 311 the time to file the claim may be extended to two years after such disability or death under the original bill. The House amended that by providing that he may file his claim within 10 years after the death or disability occurred; not after the injury, but after the death or disability arose.

The CHAIRMAN. If he has gotten his certificate within one year, I do not see why he should not have 10 years after that within which to file.

Judge MACK. He may have 50 years after that, Senator.

The CHAIRMAN. I do not believe I would give him 50 years.

Judge MACK. Here is the point. His death may not occur until 10 years after. Suppose his death does occur 10 years after, when ought his widow to file her claim? We said within a year, or make it two or three years, after death. The House says she can file her claim within 10 years after his death. Or, suppose 10 years after the injury he becomes disabled; he has got a wound; he has got a bullet in his body—

The CHAIRMAN. Let us read this. It is as follows:

That no compensation shall be payable unless a claim therefor be filed, in case of disability, within 10 years after discharge or resignation from the service; or, in case of death in the course of service, within 10 years after such death is officially recorded.

Now, that is the provision.

Judge MACK. Yes. Now, then, taking that in connection with section 308.

The CHAIRMAN. Section 308 relates to the certificate, that no compensation shall be paid on death or disability which does not occur prior to or within one year after discharge or resignation from the service, except that where after medical examination is made pursuant to regulations at the time of discharge or resignation from the service, or within a certain reasonable time thereafter, not exceeding one year, as may be allowed by regulations, a certificate has been obtained.

Let me tell you of a case which occurred not long ago. There was an old Confederate soldier who was up here and marched in the reunion. He had been shot, wounded. It did not give him much trouble. He went home, and a sort of supuration and blood poisoning set up in that old wound two or three weeks after he got home, and this was 40 years after the war. He will undoubtedly die of the injury he received during the war. He is not dead yet, but they say he is going to die. So there are some few cases of that sort.

Judge MACK. He could get it provided he had a certificate issued within a year after his discharge that he had a wound which was likely to cause disability or death at some time in the future.

The CHAIRMAN. Do you think that man, with his pride, would have gone and asked for the certificate? I doubt it.

Judge MACK. The Army regulations will provide for that examination on mustering out.

Senator SMOOT. They do that.

The CHAIRMAN. I am sure he never would have asked for it.

Senator SMOOT. Men have been discharged from the Army sound, from the Spanish-American War, who have died of diabetes and all sorts of trouble, within a few months after.

Judge MACK. Yes; but you would not say that was caused by the war.

Senator SMOOT. Yes; I think more than likely it was.

Let me call your attention to this language in sections 308 and 311, and see whether it would not allow compensation to a dishonorably discharged soldier.

Judge MACK. There is some specific provision for that.

Senator SMOOT. Where is it?

Judge MACK. In section 310 [reading]:

A dismissal for dishonorable or bad-conduct discharge from the service shall bar and terminate all right to any compensation under the provisions of this article.

Senator SMOOT. I was going to say, "after an honorable discharge or resignation from the service."

Judge MACK. That covers it, does it not? At least I submitted it to the Army people.

Senator SMOOT. I think perhaps it would.

The CHAIRMAN. This period, whatever we fix it, ought to be the same in both of these places.

Senator SMOOT. No; this is one thing, and this is another. That is an entirely different thing. The one year is all right there, but I do not care whether it is 10 years or not. If he does not want to apply in 10 years—

Judge MACK. I will call your attention, in all fairness, to this section 312. It was not amended at all, and if they do apply, they can not get more than two years' back pay. Ten also appears at page 26, line 3. Ten is there used, too.

The CHAIRMAN. What next?

Judge MACK. That brings us now to insurance.

Mr. KERR. Senator, before you go any further, may I ask Judge Mack a few questions about this?

The CHAIRMAN. Yes.

Mr. KERR. If I understand exactly, this article 3 is to annul, for the time being, or to annul absolutely with regard to the soldiers during this war with Germany the pension law, is it?

Judge MACK. Yes, sir.

Mr. KERR. In regard to the soldier who incurs disability in service or the widow of the man who dies in the service?

Judge MACK. Yes, sir.

Mr. KERR. Have you accomplished that in the language you have used in that?

Judge MACK. If not, let us know it.

Mr. KERR. There is no punctuation in it at all. I have studied this—

Judge MACK. You mean section 314, page 26, line 21?

Mr. KERR. I only speak because I thought you wanted that and wanted to get it right. There is no punctuation, and it now reads:

Existing pension laws and laws providing for gratuities or payment in the event of death in the service shall not be applicable after the enactment of this amendment to persons now in or hereafter entering the military or naval service, except in so far as rights under any such law shall have heretofore accrued.

Now, what is there in that which would exclude a man who lost his arm in the service from coming back here and obtaining the pension?

Senator SMOOT. Under our pension laws, if he belonged to the Regular Army.

Mr. KERR. No; if he belonged to that army at all, if he were shot or lost his arm, what is there in that provision which precludes him—

Judge MACK. Because it says "the existing pension laws shall not be applicable hereafter."

Mr. KERR. But in the event of death, not disability.

Judge MACK. No; "laws providing for gratuities."

Mr. KERR. But you have got no punctuation in that.

Judge MACK. All right; if that is not perfectly clear, let us make it clear.

The CHAIRMAN. We can make it perfectly clear by revising the language, putting it this way:

The laws providing for gratuities of payment in the event of death in the service and existing pension laws shall not be applicable.

Mr. KERR. My suggestion was going to be to put a comma after, first, "laws." Let us go a little further, though, in regard to that:

Shall not be applicable after death to persons now in or hereafter entering the military and naval service, excepting so far—

And so forth. You are making that personal to the soldier. What is there in that to prevent a widow getting the pension, or, as the law stands, preventing a dependent father from getting the pension, or a dependent brother or sister under 16 years of age?

The CHAIRMAN. Let it read this way:

The laws providing for gratuities of payment in the event of death in the service—

Mr. KERR. I had in mind a simple solution of the whole thing.

The CHAIRMAN. Your comma does not solve it.

Mr. KERR (reading) :

Existing pension laws [comma] and laws providing for gratuities or payment in the event of death [comma] shall not be applicable after the enactment of this amendment to persons in, * * *, nor to their widows, children, or other dependents.

The CHAIRMAN. If you put in here "or other pension laws," that will cover it all.

Senator SMOOT. I think that other is the best.

Judge MACK. No, Senator, I think Mr. Kerr's suggestion is the better.

Senator SMOOT. I do, too.

The CHAIRMAN. All right.

Senator SMOOT. I think his is all right. I think that is perfectly plain.

Mr. KERR. What is it we want? First:

Existing pension laws [comma] and laws providing for gratuities or payment in the event of death in the service [comma] shall not be applicable after the enactment of this amendment—

And so forth.

The CHAIRMAN. I do not see that that comma has all that potency.

Mr. KERR. I do.

The CHAIRMAN. I am sure that if you reverse it and then put in the language you want afterwards—where do you put that, "widows and children"?

Mr. KERR. Right following after the very last words, "nor their widows, children, or other dependents."

The CHAIRMAN. Following the word "accrued"?

Mr. KERR. Yes, sir.

Judge MACK. If you follow after the word "service," do not put "nor" but put "or," "or to their widows, children, or other dependents." I thank you for the suggestion.

Mr. KERR. I studied over it, Judge.

The CHAIRMAN. Are there any other suggestions from anybody upon this part of the bill before we go to another?

Judge MACK. Now, the insurance. The House has put in a couple of amendments.

The CHAIRMAN. What page and line?

Judge MACK. They are all right; they are simply for clarity's sake. They are at the bottom of page 28, and some comment was made to-day about the one at the end of section 402, so there is no comment to be made upon them. They are all right.

Now, on page 29 of line 25, after the word "insurance" the House struck out—we had in originally a clause which the House struck out. I had suggested to the gentlemen in charge that perhaps the verbal criticism on that was substantial and that it could be avoided by inserting these words after the word "insurance":

"Or from time to time by regulations," and they intended to offer that, but I think it was inadvertently omitted.

The point about the verbal accuracy of what was struck out and which read, "rights and privileges not provided for may be granted from time to time as may be prescribed by regulations," was that this would enable the bureau to do anything. The words "rights and privileges not provided for may be granted from time to time as

may be prescribed by regulations," it was suggested, would let them put in anything, and the intention was that it was rights similar to those that were mentioned in the preceding sentence. Therefore, to avoid that they objected; and I suggested inserting after the word "insurance" on line 25 the words "or from time to time by regulations." In the absence of this amendment, gentlemen, the situation would be very serious, because the first sentence in section 402 requires an immediate publication of the full and exact terms and conditions of the contract of insurance. Now, if all of these provisions in regard to paid-up policy—the kind of thing that is convertible into values, and all that must be published in the contract of insurance—you would make it an impossible task, and there was no intention that should be done.

The CHAIRMAN. In that connection somebody said this morning that the man at the time he took out the insurance would have to take his option of the sort of thing he was going to convert it into. There is nothing in that?

Judge MACK. No; no such intention.

The CHAIRMAN. What was meant was the various options he might resort to if he chose should be in the contract?

Judge MACK. Or should be granted afterwards by regulations, just as the insurance companies give new privileges.

The CHAIRMAN. He drew the conclusion from the fact that they said, "published in the contract," that that meant the man must publish his option. What was intended by that "published in the contract" business was the various options he might put in there that later might be extended by legislation?

Judge MACK. Yes; but it would require the words I have suggested to cover that.

Now, in line with the suggestion that was made that our rates may be too high, that we may make a profit on the healthy man at these rates, and that the possibility of dividends should be given, there should be inserted in line 21, page 29, after the word "values," the word "dividend."

Mr. KERR. Would it not be better to insert the words, "returns of gains and savings"? That is a more accurate description.

Senator SMOOT. Everybody understands what dividends are.

Mr. KERR. But it is very much objected to.

Judge MACK. Suppose we say "dividends from the returns and savings"?

Senator SMOOT. They can not come from anywhere else.

Judge MACK. What is the English term?

Mr. KERR. BONUS. There is a confusion between a stock dividend and a life insurance dividend.

Senator SMOOT. There is not any question among insurance men what a dividend is.

The CHAIRMAN. Why not put it "dividends from returns and savings"?

Mr. KERR. "From gains and savings." Mr. Blackburn, what do you say to that?

Mr. BLACKBURN. I think the word "participation" there would cover all you are trying to get at.

Senator SMOOT. Instead of "dividends" put "participations"? No; let us have "dividends." "Dividends" covers the whole thing.

The CHAIRMAN. Is there not such a thing as a dividend from a participation? Well, it has got to be a gain or saving.

Judge MACK. Yes; it is necessarily from gains or savings.

Senator SMOOT. It can not come from anything else.

Judge MACK. At page 30, line 11, for perfect clarity, after the words "reserve value," there should be inserted "if any." This sentence is a sentence I drew at the last moment to meet an objection. It makes it perfectly clear to insert "if any" after the word "value." For the very last word "policy," I should say "contract of insurance," because we may not give any policies at all. The law speaks of contracts of insurance all the way through.

The CHAIRMAN. Policy or contract of insurance?

Judge MACK. Contract of insurance is sufficient.

The CHAIRMAN. Yes; I suppose so.

Judge MACK. It was a slip in the hurry of framing that sentence.

Prof. GLOVER. You still think he is only entitled to his paid-up value instead of his reserve policy?

Judge MACK. Most decidedly. I am ready now to discuss these various insurance points or objections.

Prof. GLOVER. Would that be permitted under the laws?

Judge MACK. The Congress makes the law. Congress can make any law it pleases, as long as it is not against the Constitution.

The CHAIRMAN. It has control over its own contracts.

Prof. GLOVER. In spite of the fact he had paid the premiums?

Judge MACK. There is no question as a matter of law, Prof. Glover.

Right here I wish to insert as a part of my remarks a letter in the form of a brief which I have prepared, and ask that the same be printed in the record.

(The letter referred to above is here printed in full, as follows:)

WASHINGTON, D. C., *September 18, 1917.*

DEAR SENATOR WILLIAMS: In compliance with your request I submit herewith a statement of the several criticisms made by the insurance committee of the original draft of the bill as submitted to them for suggestions, together with a statement of the changes made in the bill pursuant to their suggestions, changes made before their suggestions were received and anticipating them, and reasons for not accepting other changes suggested by them:

1. "The bill is confused by treating the divorced dependents in connection with other dependents."

We could see no confusion.

2. "All benefits accruing to a divorced woman shall immediately cease upon her remarriage."

This suggestion was specifically adopted by the House committee and by the House. We did not and do not regard it as at all essential, because in the first draft the right of a divorced woman was limited to the amount fixed by the divorce decree. If a court ordered alimony to continue after her remarriage, there would seem to be no reason why this order should not be obeyed; in fact, however, such orders are very rarely made.

3. Section 203. The committee objected to the compulsory deposit.

The deposit, however, is not compulsory, but may be made so by the Secretary of War and the Secretary of the Navy, respectively; if they deem this wise in the interest of the morale of the Army or Navy, they will, and should, make the proper regulation.

If such deposits are made the prospects of using them to pay insurance premiums would naturally be increased. As the insurance committee objected entirely to the insurance article, their position in regard to section 203 may, consciously or unconsciously, have been due in part to this fact.

4. "Disability and death compensations should automatically cease in case, hereafter, Government assistance should be given by future legislation."

We declined to adopt this suggestion, inasmuch as it is a matter which such future legislation will doubtless care for.

5. "The Government should pay \$1,000 in case death ensues during service or within five years after discharge, in lieu of Article IV."

This suggestion was declined because it does not meet the objects of Article IV. It is no real insurance at all, but simply an added gratuity; while it is not limited to death in the service, it does not cover death occurring after five years. It in no sense indemnifies against the man's insurability, which the Government, by reason of the war, has destroyed.

While the committee did not limit the amount to \$1,000, but were agreeable to \$2,000 or \$2,500, the same objections apply to the larger amounts.

The uniformity which should be given to all individuals in a democratic government is uniformity of opportunity, and, whenever possible, uniformity in an opportunity which is possible of realization. In view of the low price of term insurance, costing, for men from 21 to 31, less than \$7 per month for the full \$10,000 insurance, Article IV does give a realizable uniformity of opportunity.

But to compel every man, regardless of his own views of his needs, to take the maximum, would be to create a false uniformity.

True insurance is what the committee has characterized "optional" insurance—a man may take it or decline it, as he pleases. He may take the maximum or any part of it, as he may think best suited to his needs. Under Article IV the Government merely gives him the opportunity in respect to the reasonable amount of \$10,000 insurance, of doing what, but for the war, he could have done in private companies, except only that the Government gives him a lower rate—due to the lower cost of insurance when the war risk is excluded.

6. Apart from the war risk, which, of course, the Government should bear, the premiums fixed by the bill are not as alleged, less than cost. They are based upon the American Experience Table of Mortality. The actual mortality in the best companies is only 60 to 70 per cent of that shown in the table. In such a finely selected class of risks as that of the Army and Navy, the mortality, but for the war, would be still lower. The difference saved, because of the excess mortality charge, would more than pay the expenses of administering the funds and would thus yield a profit over every cost were it not for the increased mortality that the war itself will cause.

Private insurance companies add a "loading" to the premium, because while they too may expect to make a profit on mortality, which might pay even their much heavier salary lists and general administration expenses, they have other expenses which the Government does not have, namely, agents' commissions, medical examination fees, advertising, investment costs, and taxation.

7. The dangers of speculation were anticipated before the committee reported, and the original draft bill was changed so as to limit the class of beneficiaries and to make the insurance nonassignable.

In a supplementary report additional changes were suggested. They are herewith considered.

Section 204: "Class A, subsection (g), class B, subsection (g), \$27 instead of \$30, in order that the increase from the preceding subsection might be as theretofore, \$7.50, instead of \$10." This was not adopted. The committee had overlooked the basis of the allowances to children, namely, that allotment and allowances were considered together. As the number of beneficiaries increases the per capita share in a stationary allotment necessarily decreases, and therefore the allowance should increase. It will be found that the allowances and allotments jointly for children show a slight per capita decrease as the size of the family increases.

Section 301: The House increased the allowances to the amounts suggested by the committee. There is no objection to this, but it was believed impracticable, in view of the insurance, to recommend it.

8. "No provision is made for a widow and widowed mother or for a child and a widowed mother." This is a misconception, I believe, of the meaning of subsection (g) in section 301.

9. The committee recommended that an additional disability allowance be made if there be a dependent father, brother, or sister totally and permanently disabled. This was not adopted, because we believed, in view of the insurance, that only a substantially dependent widowed mother should be considered.

There is, however, no substantial objection if it seems desirable to extend this provision to a dependent father, mother, or sister, as suggested by you.

Section 302, the committee's suggestion of an additional allowance for a widowed mother was adopted, in (1) subsection (f).

10. The committee recommended that partial disabilities under 10 per cent instead of 10 per cent or under should be disregarded.

The suggestion was adopted.

11. The committee recommended that a schedule of ratings for the main types of disability be included in the bill.

This was not adopted, as it was believed that the matter should be left to regulation, determined by experience. The House, however, did fix certain rates for certain cases of mutilation and dismemberment, namely, \$100 for loss of both feet, both hands, both eyes, or becoming totally blind.

To this no objection is offered.

12. Section 304. The committee objected to any commutation of compensation.

Considerable difference of opinion prevails upon this point. The committee believed and believes still that it has struck a happy medium and has properly guarded and limited the right of commuting even the portion that is permitted to be commuted.

13. The committee thought it not entirely clear whether dependents would receive compensation in case of death following permanent disability—the same as if death occurred at once in the service.

The provisions now are clear, and I think they have not been changed from the original draft.

14. The committee's further recommendation that where death is caused by injury existing but not causing permanent disability at the time of termination of service, compensation should be allowed only if death occurs within three years from termination of service, was not adopted.

The theory of the bill is that if a man receives the injury while in the service and takes the proper step to have official record made thereof, compensation shall follow his disability or his death whenever it occurs. For example, if a man receives a bullet wound but is not thereby disabled and within not exceeding a year after his discharge from the service he secures the proper medical certificate that he has a wound which is likely thereafter to cause disability or death, he will receive compensation, even though disability or death that that wound may cause should not begin until 20 years thereafter. But when the disability or death does occur, then, under the bill as originally drawn, he, or the beneficiary, must apply for the compensation within one or two years. The committee still believes this period or a fixed period of not more than three years adequate. By the House amendment, this is now extended to ten years, with a possible extension of a further year.

15. The suggestion that the family status at the date when the total disability occurs shall govern the compensation, subject, however, to revision during a period of five years, was not adopted, but, as provided in section 302 (subsection 4) the compensation depends upon the family status from month to month.

16. The committee suggested a separate article on reeducation and the appointment of a commission to take charge of it.

This section was never intended to cover the subject. This must be the subject of further legislation. The present bill is a purely fiscal measure, and, on the subject of reeducation, lays down only two fiscal principles, namely:

First. That compensation is suspended during willful failure to follow such course of reeducation as the Government may provide or procure to be provided.

Second. (See p. 21, lines 16 to 18.) That economical recuperation shall not affect the compensation.

A number of commissions and persons and departments are studying this whole subject of reeducation, especially the Surgeon General's Office. Proper legislation will soon be submitted, but such legislation does not come within the scope of this fiscal measure.

17. Certain verbal changes suggested by the insurance committee in section 305 were adopted.

18. Insurance.—The committee points out the commuted value of the compensation benefits of Article III, in discussing Article IV.

The maximum compensation, \$200 a month, fixed in the draft bill was not adopted by the House, and this may, therefore, be disregarded. I do not know whether the other commuted values are correct or not.

Certain other changes were suggested by a subcommittee, on redrafting, of the insurance committee.

19. Page 3, line 12, the words "in order" were inserted as suggested by the committee.

A proviso in respect to claim agents' compensation was not adopted. This matter is left to regulation. A suggestion that the director's award as to a claim should be subject to review by a board consisting of the Secretaries of the Treasury, War, and Navy was not adopted. It was believed that the director, subject to the general direction of the Secretary of the Treasury, could more efficiently and expeditiously handle the matter.

20. Section 15. The committee recommended limiting the right to examine witnesses so that it should be granted only for the purpose of establishing the validity of any claim presented to the bureau, instead of any matter within the jurisdiction of the bureau.

The suggestion was not adopted. It would unduly limit the scope of an inquiry.

21. Section 17. An obvious misprint, pointed out by the committee, was corrected.

22. Section 20, which the committee recommended practically to be stricken out if Article IV was stricken out, was of course retained.

23. Original section 22, in reference to investments for the insurance fund was stricken out altogether, as no fund was created, but merely an appropriation.

24. Section 22. Of various purely verbal suggestions, some were adopted and some not.

25. Section 201. A verbal change has been heretofore discussed (No. 2).

26. Section 203. The committee recommended the deposit should be voluntary. Not adopted for reasons hereinabove stated (No. 3).

27. Section 206. A slight verbal change partially adopted.

28. Section 303, page 22, line 8. The word "reasonable" was retained against the committee's suggestion. Line 23, same as to word "reasonably." Line 25, same as to word "unreasonable."

29. Section 311, page 26, lines 5 and 6 were retained against the committee's suggestion.

30. Section 314. The committee suggested, at the end of the first paragraph, adding the following: "That the total compensation paid under this amendment and such existing pension laws, shall not exceed the maximum compensation hereinbefore provided. Acceptance of benefits under any future pension law shall automatically terminate all rights to compensation under this amendment."

This proviso was deemed unnecessary.

31. Section 315. The committee recommended striking out this section.

It was and is believed, however, that it may well be retained as partial indemnity to the Government in some cases.

The numbering of the sections in Article III has been changed. I have used the section number as they are in the bill now before you from the House, and not as they were in the original draft—which the insurance committee naturally used.

Very truly, yours,

JULIAN W. MACK.

HON. JOHN SHARP WILLIAMS,
United States Senate, Washington, D. C.

STATEMENT OF MR. J. H. HARPER.

The CHAIRMAN. Mr. Harper will now be heard. What is your occupation and residence, Mr. Harper?

Mr. HARPER. I am an engineer at the present time; I was formerly connected with the Pension Office.

The CHAIRMAN. And you live where?

Mr. HARPER. I live in Washington, New York, and Minneapolis.

The CHAIRMAN. You may proceed.

Mr. HARPER. I want to make the suggestion that the transfer of the Pension Office to the jurisdiction of the Treasury, and the incorporation of the entire machinery of the Pension Office in this,

insurance would effect a real saving in both the clerical and the mechanical handling of the matter.

The CHAIRMAN. I do not think that will come in quite pertinent to this bill, even if we wanted to do it. It has got to be done by separate act at some time, if it is advisable.

Mr. HARPER. It has been deemed advisable before. It ought to have gone to the War Department in the first instance, but it did not go there because of jealousies. Now, you are reforming the whole measure and starting anew.

The CHAIRMAN. This bill does not relate to pensions.

Mr. HARPER. It is not pensions I am talking about now but economies in the development and machinery of a new bureau. We are losing the old.

The CHAIRMAN. As far as the administration of this law is concerned, that part of it where the experience in the Pension Department would be of avail could be of benefit, they could avail themselves of it by having men detailed, especially as the force in the Pension Office is being decreased now anyhow and will be very much more. There is already a rule not to fill any vacancies that occur there of certain sorts. Men who have had experience there and are about to be discharged can be employed in this new business. Right after the war is over, beyond a doubt, some great piece of governmental machinery will be erected to take charge of this whole business, but while the war is going on the Navy ought to take care of the naval force and the Army ought to have charge of the Army force.

Mr. HARPER. Very good; but I want to make this further suggestion, that in the enactment of this legislation you are going to add more billions to the next generation and the succeeding generation than we have had as the result of the other war, and you have got a misstatement in here of the amount of the total you have disbursed for pensions. It is double the amount you have got, counting the support of the Army and Navy, the war has cost us over \$20,000,000,000 now, and you have already appropriated and will have appropriated before June more than \$20,000,000,000 more. Then the disbursements on pensions or insurance, whichever you have in mind to call it, will be ten times that within a generation.

The CHAIRMAN. We do not know about that.

Mr. HARPER. That is a burden on the next generation.

The CHAIRMAN. I am afraid you are partially right.

Judge MACK. I want to say, of course. I have a good many arguments that I did not present at the last hearing before the House. I have not got them in written shape on the feature of the insurance department, and I shall be glad to offer them.

I wish to add to my statement already made some suggested amendments or changes to the bill under consideration, which I would like to be inserted in the record.

(The amendments referred to above are here printed in full as follows:)

To summarize my statement, I suggest the following amendments, and very briefly state the reasons therefor:

1. Page 2, line 5, strike out "\$5,000" and insert "\$6,000." Line 11, strike out "\$4,000" and insert "\$5,000."

This restores the original bill as submitted to and reported by the House committee. These salaries would seem to be in themselves inadequate for the kind of men who should inaugurate this very important work, with its vast and manifold duties.

2. Page 8, lines 18 and 19, strike out "in the last sentence of subdivision (g) of section 301 and."

The suggested change in the language of section 301 requires this amendment; it is purely verbal.

3. Page 13, line 13, strike out "next of kin" and add "such person or persons as would under the laws of the State of his residence be entitled to his personal property in case of intestacy."

This amendment was accepted by the House committee after its report had been submitted, but through some confusion, due to suggested changes from the floor of the House, failed of passage. It merely corrects an incorrect expression.

4. Page 13, line 24, strike out the words "declaration of war" and add in place thereof "the enactment of this amendment."

This would restore the section to its original form and as reported by the House committee. As the section now stands, back pay of family allowances would be required covering a period of six or more months. The families who might receive this back pay have been cared for by somebody in the meantime.

5. Page 16, line 6, strike out the word "the" and insert the word "this," and after the word "allotment" insert "to a member of class B."

These amendments are purely verbal, to make the meaning clearer.

6. Page 17, line 2, after the word "paid," insert "by the bureau." Lines 2, 3, and 4, strike out all after the word "beneficiaries" and insert: "The War and Navy Departments, respectively, shall pay over to the Treasury Department monthly the entire amount of such allotments for distribution to the beneficiaries." Line 7, before the word "which," insert "upon the basis of," and after the words "which award" insert "the amount of the allotment to be made by the man."

This amendment aims to clarify the sections 209 and 210 and to avoid confusion between the departments.

As the bureau must make all investigations in re the family status, determine the amount of the family allowances from month to month, on which the amount of the monthly allotments depend, the simplest procedure will be for the bureau to pay both allotments and allowances at one time. To enable this to be done, the War and Navy Departments would make a monthly payment to the Treasury of the total amount of the allotments, and this would be divided up and distributed to the beneficiaries together with their allowances.

7. Page 17, lines 18 and 19, strike out "in the course of the service in the line of duty." Line 24, add "but no compensation shall be payable if the injury or disease was caused by his own willful misconduct."

The words "in the line of duty," inserted by the House committee, have been differently construed by the courts and the several departments, both in relation to different statutes and in relation to the same statute. The language therefore is clearly ambiguous.

The words "in the course of service," contained in the original bill, are new in this kind of a law, and, as they might give rise to conflicting constructions, they, too, should be omitted. Inasmuch as by section 22 the persons covered by Article III are only those in active service, the real intent will be carried out by adopting the amendment suggested.

8. Page 8, line 20, strike out the word "child" in both places and insert, after the word "one," the word "person," and after the word "of" the words "such person."

A purely verbal change, for greater accuracy.

9. Page 18, lines 2 and 3, strike out "from a marriage contracted before or within 10 years after the injury." Page 20, line 2, add "The word 'widow' as used in this section shall include only one who shall have married the deceased before or within 15 years after the time of the injury."

The bill as originally drafted omitted the words that are now sought to be stricken out. The House committee inserted the words "from a marriage contracted after the injury." On the floor of the House the additional words, "before or within 10 years," were added.

This language deprives not only a woman who marries the injured soldier more than 10 years after the injury of any compensation, but it likewise deprives her children of such compensation. This result, it is believed, was not intended

by most of the Members of the House, and, in any event, such children should under no circumstances be deprived of the compensation.

If, however, it is desired to deprive the woman who marries the man more than a fixed time after the injury of any compensation after his death the result is accomplished by the amendment suggested on page 20, line 2.

Inasmuch, however, as the age of the vast majority of the men returning from the war will be far under 35, the minimum number of years to be inserted should be 15, as suggested in this amendment.

10. Page 18, line 6, strike out "percentages of his pay" and insert "amounts." This change was inadvertently omitted in the House.

11. Page 20, line 16, after the word "above" insert the word "amounts."

A verbal change for greater accuracy.

12. Page 21, line 22, after the word "shall" insert "continue to"; after the word "States" insert "after discharge or resignation from the service."

This amendment has been suggested by Surg. Gen. Gorgas in order to make it perfectly clear that the furnishing of medical aid and appliances by the bureau should begin only after the man is discharged from the service.

13. Page 25, lines 22 and 24, strike out "ten" and insert "two." Page 26, line 3, strike out "ten" and insert "two."

The bill originally had one year and was so reported by the House committee. On the floor of the House, after an attempt to strike out all limitations, ten was inserted.

I believe a two-year limitation, with a possible extension for one more year, as provided, is very much more desirable.

As provided by section 308, the claim does not arise at the time the injury is received, but only at the time that death occurs or disability begins. This may happen many years after the injury received in the service, but when it does happen, then a reasonably short statute of limitations should begin to operate. That is the purpose of this section.

Of course, under section 308 if the death occurs or disability begins more than a year after discharge from the service compensation is conditioned upon having secured a certificate within a year after discharge that the person has an injury or disease likely to cause future death or disability.

14. Page 25, line 24, strike out "in the course of" and insert "during the."

Purely verbal change for greater accuracy.

15. Page 26, line 21: Strike out the words "existing pension laws and" and insert the word "the." Line 22, after the word "service," insert "and existing pension laws." Line 24, add "or to their widows, children, or dependents."

Verbal changes for greater accuracy.

16. Page 28, line 5, add the word "permanent." Line 20, after "total," insert "and permanently." Page 29, line 4, after "total," insert "permanent." Line 15, after "total," insert "permanent."

This supplies an inadvertent verbal omission.

17. Page 29, line 21, after the word "value," insert "dividends from gains and savings." Line 25, after the word "insurance," insert "or from time to time by regulations."

The first part of this amendment supplies an inadvertent omission, the second part takes the place of a complete sentence that was stricken out by the House committee.

Inasmuch as the contract of insurance must be published immediately, and inasmuch as the many benefits and options should be given not merely in the original contract but from time to time as experience may show they are desirable, just as they are given in private companies, the second part of this amendment is essential.

18. Page 30, line 11, after the word "value," insert "if any."

A verbal insertion.

19. Page 30, line 14, strike out word "policy" and insert "contract of insurance."

A verbal change.

20. Page 11, line 14, strike out the quotation marks, insert quotation marks before each article and before each section of each article beginning with section 200, and on page 31, at the end of line 23, insert quotation marks.

Everything that follow page 2, line 14, is a part of section 2 of the present bill; each section in each article is one of the new sections added to the original bill as amended. Without the quotation marks all sections beginning with Article II would be sections of the present amendment instead of being subdivisions under section 2 of the present amendment.

21. For the same reason the word "amendment" should be used when the present amending act is referred to, and the word "act" should be used when the original act, either in its original form or as amended, is referred to. The following amendments are therefore necessary:

22. Page 8, line 8, strike out "approval of this act" and insert "enactment of this amendment."

23. Personally, I believe there should be a difference made as between officers and men both in the disability compensation and in compensation for death.

The compensation article is based on the analogy of the workmen's compensation acts. Distinctions based on pay have always been made in these acts; similar distinctions have always been made in the pension acts.

Of course the officers in the Regular Army will have their retirement pay, which is very much larger than the disability compensation, but the other officers do not get retirement pay.

It may well be that the difference as provided in the original bill was too great. It would, in my judgment, be better to correct this by reducing the maximum that could be paid to the family of any deceased officer from \$200 to \$100, and to reduce the maximum that could be paid to any disabled officer from \$200 to \$125.

This would be accomplished by the following amendments:

(a) The above suggested amendment No. 10, page 18, line 6, would not be made.

(b) Page 18, line 7, after the word "alone," "25 per cent but not less than." Line 8, after the word "child," insert "35 per cent but not less than." Line 9, after the word "children" insert "40 per cent but not less than." After the word "with" insert "5 per cent additional but not less than." Line 11, after the word "child" insert "20 per cent but not less than." Line 12, after the word "children" insert "30 per cent but not less than." Line 13, after the word "children" insert "40 per cent but not less than." After the word "with," insert "5 per cent additional but not less than." Line 15, after the word "mother" insert "20 per cent but not less than." Line 19, after the word "exceed" insert "50 per cent of the pay or."

(c) Page 19, after line 4, insert "the maximum monthly compensation for death shall be \$100."

(d) Page 20, line 7, strike out "amounts" and insert "percentages of his pay." Line 8, after word "living" insert "40 per cent but not less than." Line 9, after word "living" insert "50 per cent but not less than." Line 10, after word "living" insert "55 per cent but not less than." Line 11, after word "living" insert "60 per cent but not less than." Line 13, after word "living" insert "50 per cent but not less than," and at the end of the line add "5 per cent additional but not less than." Line 16, before the figure "\$10" insert "10 per cent but not less than."

(e) Page 21, line 1, after the word "be" insert "not less than." After line 2, add "The maximum monthly compensation for total disability shall be \$125."

The CHAIRMAN. There have been many copies of letters, resolutions, telegrams, etc., received by the different members of this committee which relate to the measure under consideration. I will place them in the record at this point, in order that they may become a part of the hearing.

(The matter referred to above is here printed in full, as follows:)

LINCOLN, NEBR., September 8, 1917.

HON. FURNIFOLD McL. SIMMONS,

Chairman, United States Senate, Washington D. C.

MY DEAR SIR: I desire to correct the prevalent impression that insurance men are opposed to H. R. No. 5723, commonly known as the Government insurance bill. On the other hand, we are thoroughly in sympathy with it. Personally, I heartily indorse the general scheme proposed for compensating soldiers and sailors, and I trust that some such a plan will be adopted for their own, as well as their families' protection.

We can not agree with some insurance men who seem to oppose the Government plan, but we do feel that Article IV of the proposed bill can be improved. In the first place, do not call it life insurance, for it is not for two reasons—first, the "rate" of \$8 per thousand makes it practically a gift, so why not make it wholly a gift and charge nothing? In the second place, rates for life

insurance are based upon the applicant's age, while the bill makes no distinction as to age.

We would therefore suggest that you substitute for Article IV, the provision that the Government will pay the sum of, say \$5,000, in case death occurs during service or within five years thereafter, with a further provision that these men be examined one year after their discharge, and that those physically unfit will have similar indemnity for their families.

This legislation proposes to enable the Government to extend the indemnity immediately to which our soldiers and sailors and their families are entitled. Our plan, as herein outlined, fully accomplishes the object in view, avoids the evils of future pension legislation, and still releases the Government from the necessity of setting up the necessary machinery required to carry on an insurance bureau.

Yours, very truly,

LINCOLN LIFE UNDERWRITERS ASSOCIATION,
A. R. EDMISTON,
President.

NEW ORLEANS, U. S. A., *August 31, 1917.*

HON. ROBERT F. BROUSSARD,

United States Senate, Washington, D. C.

DEAR SENATOR BROUSSARD: I wrote you on the 28th instant in regard to the war life insurance bill, and have now sent you a night lettergram, as per the inclosed copy.

Senator, I wish to ask you, as a special favor, to see what you can do in this matter, as it is more serious to the young life insurance companies than anyone can imagine. The old companies can survive competition from the Government, but we can not, and you know the business we are doing in this section of the country in the way of investments and taking care of our people, and keeping the premiums in New Orleans which have heretofore been going East.

I have written to you about many things in the past, but this is one in which I am very much interested, and I certainly hope you will try to get some amendment which will protect the companies against the Government continuing in the life insurance business after the war.

They may say what they please, but the bill as it now reads is bound to continue the Government in the insurance business, as the policies, after the war, can not be converted unless the Government continues in the business, as conversion means from one form of policy to another; and if they will leave out the conversion feature and simply let the policies conclude at the end of the war, on the payment of the term rate, it would not be so bad, but the whole thing contained in section 4 is wrong in principle and should be changed: in fact, we believe it should be eliminated altogether, as sections 1, 2, and 3 will give good protection to the men and their families. However, we do not care to be placed in the position of opposing the bill, as we think the Government should do all they can afford to do for the men who are fighting for their country, but, if they want to do it right, they should give them the policies without charge, in addition to clauses 1, 2, and 3, and let them conclude at the end of the war, paying the beneficiaries of those who have been killed and canceling the policies of those who have not been killed.

With kindest regards, I am,

Yours, very truly,

CRAWFORD H. ELLIS,
President.

[Copy of lettergram.]

NEW ORLEANS, LA., *August 31, 1917.*

HON. ROBERT F. BROUSSARD,

United States Senate, Washington, D. C.:

Kindly see your friends on Committee on Finance on Government life insurance measure and ask them please amend section 4 so that life insurance feature will definitely conclude at end of war. Bill as it now reads continued Government in insurance business after war which would be disastrous to all young companies. Don't believe President intended bill to continue after war, but in issuing convertible-term insurance, Government will undoubtedly

continue in insurance business to take care of coverted policies. We suggest either of following amendments to section 4:

First. Make no premium charge to men for insurance and give all policies for, say, one to two thousand dollars, to be paid only in case of death as result of war.

Second. Issue policies of one thousand up to five thousand on the lives of each man, applicants to pay regular civilian premium rates, Government to stand extra war hazard.

In each case all to cease at end of war. Neither of above to affect or interfere with indemnities and allowances provided in sections 1, 2, and 3. Failing either of above amendments, then ask that present bill contain such language as will definitely conclude it at end of war.

PAN-AMERICAN LIFE INSURANCE CO.,
C. H. ELLIS, *President*.

GALESBURG, ILL., *September 11, 1917.*

HON. JOHN SHARP WILLIAMS,
United States Senate, Washington, D. C.

DEAR SIR: We desire to protest against the provisions of Article IV of the bill known as H. R. 5723, which is an amendment to an act to authorize the establishment of a Bureau of War-Risk Insurance in the Treasury Department, inasmuch as the rank and file of the selected Army has been conscripted from the various vocations of life and had an earning capacity probably equal to that received by the officers of the new National Army while they were engaged in civil pursuits; and therefore, in view of the other liberal concessions of this bill, we believe that the Government should pay, without cost to officer or private, an equal stipulated amount, either in case of death or disability.

LIFE UNDERWRITERS' ASSOCIATION OF GALESBURG,
MAURICE E. SHUNICK, *President*.

In re House bill No. 5723 (S. 2758).]

PIERRE, S. DAK., *September 13, 1917.*

HON. E. S. JOHNSON,
Senate Chamber, Washington, D. C.

DEAR SIR: We respectfully submit the statement that the permanent insurance, provided in Article IV, should be limited to those who are found to be impaired risks at the time they are mustered out of service at the close of the war or at the end of a limited period—one or two years—thereafter.

The Government should provide permanently at cost, or at any cost, for those who suffer impairment through service in its Army and Navy.

The Government should not assume permanently a risk of from ten to twenty-five billions, paying all expense of management from general taxation.

Article IV of this bill places the Government in the anomalous position of a competitor of private companies, while taxing heavily the private companies to maintain its own insurance at cost.

Very truly, yours,

LORING E. GAFFY,
President First National Life Insurance Co.

ALBUQUERQUE, N. MEX., *September 11, 1917.*

HON. JOHN SHARP WILLIAMS,
Finance Committee, United States Senate, Washington, D. C.

DEAR SIR: The New Mexico Life Underwriters' Association, in session at Albuquerque, N. Mex., on September 10, 1917, directs me, as president of said association, to write you regarding H. R. 5723, as follows:

Article IV is wrong in principle, is not necessary, and will involve the Government in enormous unjust embarrassments and outlay, and probably produce scandals. It should be eliminated. The amount of benefit to be distributed to the dependents or estates of each person insured by the Government should be determined by the Government and not by the person insured, and the entire

cost borne by the Government. Any other method will discredit the entire system.

The premium collectible under Article IV is the net cost of ordinary mortality. The amount necessary to cover actual mortality in war is much larger. Article IV is not a recognition of service or value or performance of duty, but allows the soldier or his beneficiary, or speculators, through either, to subject the Government to immense charges for extra hazards and extra organization and supervision simply through ability or disposition of the soldier or his beneficiary, or speculators, through either or both, to pay the low net cost of ordinary mortality. We believe that full understanding of this section will show it contrary to all proved principles of insurance, business, and government.

Yours, very truly,

J. H. COONS,

President New Mexico Life Underwriters' Association.

LITTLE ROCK, September 11, 1917.

HON. JOHN SHARP WILLIAMS,
United States Senate, Washington, D. C.

DEAR SIR: The Little Rock Underwriters' Association is heartily in accord with the idea that the Government of the United States should adopt a plan for providing liberal compensation and indemnity for our soldiers and sailors.

We are, however, doubtful of the wisdom of adopting Article IV of the proposed insurance bill, considering the liberality of Articles II and III, and the enormous scope of the measure and the difficulty of its proper execution.

We recommend to your careful consideration the comments of George B. Ide, chairman of the Committee of Life Insurance Underwriters and Actuaries, appointed by the Secretary of the Treasury, a copy of which is in your hands.

Yours, very truly,

A. E. LEE,

President the Equitable Life Assurance Society of the United States.

WASHINGTON, D. C., September 14, 1917.

HON. FURNIFOLD M. SIMMONS,
Chairman Committee on Finance, United States Senate.

MY DEAR SENATOR: Understanding that the Committee on Finance has before it legislation which undertakes to make provision for dependents of men who enter military and naval service, together with compensation for injury or death in the line of duty and insurance of life, we wish to place before you a report which has been submitted to our board of directors by a special committee.

A copy of this report is inclosed in the form in which it has been placed before all of our members.

Very truly, yours,

ELLIOT H. GOODWIN,

Secretary Chamber of Commerce of the United States of America.

WASHINGTON, D. C., August 29, 1917.

*To the Members of the Chamber
of Commerce of the United States:*

Immediately after the United States declared a state of war existed, the executive committee of the national chamber was requested by the Council of National Defense to have a study made of plans for the maintenance of the families and dependents of men who enter military or naval service.

A special committee was accordingly assembled. The report of this committee was printed under date of May 31 and placed before officials and the members of the chamber.

A bill has now been introduced in Congress for the purpose of meeting the situations to which the committee referred in its report of May 31. This bill

has been before the committee and has been made the subject of a second report.

This new report is now printed and submitted to you by the executive committee in the belief that it will assist you in arriving at your position regarding pending legislation which is of importance to every community.

EXECUTIVE COMMITTEE, CHAMBER OF COMMERCE
OF THE UNITED STATES.

JOSEPH H. DEFREES, *Chairman*.

Attest:

ELLIOT H. GOODWIN,
General Secretary.

WAR PAY ROLLS AND DEPENDENT FAMILY ALLOWANCES.

AUGUST 28, 1917.

To the Executive Committee of the Chamber of Commerce of the United States:

In pursuance of the report of the chamber's committee on war pay rolls, submitted to the executive committee of the chamber, for the Secretary of War, on May 31, 1917, this committee has given consideration to the administration measure (H. R. 5723), introduced into Congress on August 10, which seeks to make provision for allowances to the dependent families of enlisted men, for compensation in cases of death and disability, and for the insurance of soldiers and sailors engaged in war service for the United States.

SUMMARY OF THE BILL.

As stated in the chamber's special bulletin of August 13, the first of the three main features of the bill is to make provision for the allotment of pay of men in service for the support of their dependents, to be supplemented by family allowances on the part of the Federal Government. The second feature deals with compensation, and the third with insurance, the Government to bear the excess mortality and disability cost resulting from the hazards of war.

ADMINISTRATIVE PROVISIONS.

For the purposes of administration the bill as introduced in the House—in form, an amendment to the law of September 2, 1914, providing war-risk insurance for vessels and cargoes—contemplates the creation of a division of marine and seamen's insurance (with functions analagous to those of the present bureau) and a division of military and naval insurance, each in charge of a commissioner with a salary of \$5,000 and under the general direction of the Director of the Bureau of War-Risk Insurance, the director to receive a salary of \$6,000. To the director is assigned the duty of carrying out the purposes of the act including the making of the necessary rules and regulations, the issuing of subpoenas and taking of evidence, the preparation of estimates of appropriations, etc. Provision is also made for the establishment by the Secretary of the Treasury of an advisory board to assist the division of military and naval insurance in determining insurance rates and in adjusting claims.

ALLOTMENTS AND FAMILY ALLOWANCES.

Subject to regulation, each man in the military or naval service of the United States is required to contribute monthly toward the support of wife or child an amount equal to the family allowance provided by the Government, but not to exceed one-half his pay or to fall below \$15.

In case of all other dependents, such contributions are voluntary. Where one-half of the monthly pay is not contributed, however, the Secretaries of War and of the Navy are authorized to provide for the withholding at interest during the period of service of the balance of the half-pay.

For the purpose of determining the rates of allowances from the Government to families, the bill separates all dependents into two classes—class A, including

wife and children, and class B, other relatives. The allowances from the Government, payable monthly, under these classifications are as follows:

| <i>Class A.</i> | |
|--------------------------------|----------|
| Wife, no child..... | \$15. 00 |
| Wife, one child..... | 25. 00 |
| Wife, two children..... | 32. 50 |
| No wife, child..... | 5. 00 |
| No wife, two children..... | 12. 50 |
| No wife, three children..... | 20. 00 |
| No wife, four children..... | 30. 00 |
| For each additional child..... | 5. 00 |

| <i>Class B.</i> | |
|---|--------|
| One parent..... | 10. 00 |
| Two parents..... | 20. 00 |
| Grandchild, brother, sister, and additional parent (including grandparent)..... | 5. 00 |

Allowances from the Government are made to class A only if the compulsory contribution from pay is made to a member of this class. Allowances are made to members of class B only while the relation of dependency continues and, subject to regulations, upon condition that a monthly allotment of pay equal to the allowance is made voluntarily by the man in service. In no case is the combined monthly allowance paid by the Government to members of classes A and B to exceed \$50 nor, together with the allotment, should it exceed the average amount contributed to their support by the enlisted man during the preceding year.

For the purposes of this section the bill provides an appropriation of \$141,000,000.

COMPENSATION FOR DEATH OR DISABILITY.

When service with the armed forces of the United States results in death, provision is made for payment by the Government of monthly compensation to widow, children, and widowed mother of the man killed, the amount of the compensation to be based upon the amount of pay received, as follows:

| | Percentage of pay. | Minimum. |
|---|--------------------|----------|
| Widow..... | 25 | \$30 |
| Widow, 1 child..... | 35 | 40 |
| Widow, 2 children..... | 40 | 50 |
| Additional children (up to 2)..... | 5 | 5 |
| No widow, 1 child..... | 20 | 15 |
| No widow, 2 children..... | 30 | 25 |
| No widow, 3 children..... | 40 | 35 |
| Additional children (up to 2)..... | 5 | 10 |
| Widowed mother..... | 20 | 25 |
| Maximum monthly compensation for death..... | | 200 |

The bill provides that payment of compensation to the widow or widowed mother shall continue until two years after remarriage or death; to children, except in the case of incompetents, until reaching the age of 18 or until marriage.

In the case of total disability, making it impracticable for the injured person to pursue any gainful occupation, the following monthly compensation from the Government is provided:

| | Percentage of pay. | Minimum. |
|------------------------------------|--------------------|----------|
| No wife, no child..... | 40 | \$40 |
| Wife, no child..... | 50 | 55 |
| Wife, 1 child..... | 55 | 65 |
| Wife, 2 or more children..... | 60 | 75 |
| No wife, 1 child..... | 50 | 50 |
| Additional children (up to 2)..... | 5 | 10 |
| Widowed mother..... | 10 | 10 |

Where the disability is partial, a plan of monthly compensation, based upon the degree of reduction in earning capacity resulting from the disability, is provided, although no compensation will be paid for a reduction in earning capacity of less than 10 per cent.

Where it is apparent that the injured person is competent and not likely to become a public charge, the bill provides for the payment of a lump sum to the injured person in lieu of all further compensation. Payments for compensation are not to be assignable, subject to legal process, or taxed.

In addition to compensation for total or partial disability the Government will furnish medical, surgical, and hospital care and provide artificial limbs, etc.

As a means of rehabilitating and reeducating persons suffering from permanent disabilities, the bill provides for the taking of such courses of educational and vocational training as may be furnished by the Government, at the same time making a provision for a form of enlistment for persons taking these courses.

For the payment of compensation, etc., appropriation of \$12,150,000 is provided.

INSURANCE.

For the purpose of securing still broader protection, both for themselves and for their dependents, men enrolled in the military and naval service of the United States may obtain insurance against death or total disability for amounts ranging from \$1,000 to \$10,000 with premium rates based upon the American Experience Table of Mortality and interest at $3\frac{1}{2}$ per cent. In other words, the premiums paid will be based upon actual cost of the insurance under peace conditions and the extra risk due to war will be assumed by the Government. This insurance may be had upon application and, in the event of death or total disability, is payable by installment to the disabled person, his wife, child, grandchild, parent, brother, or sister; thus, the beneficiaries are limited. During the period of the war the insurance will be term insurance for successive terms of one year each; after the war it will be convertible into such forms of insurance as may be prescribed by regulations.

For the purpose of insurance the bill provides the sum of \$23,000,000, to which all payments on account of premiums would be added.

COST OF PROPOSED PLAN.

As an indication of the probable cost involved in the plan proposed by the bill now before Congress, the Secretary of the Treasury, on July 31, addressed a letter to President Wilson in which were contained estimates covering the first and second years of operation. A complete copy of this statement has gone forward to all members of the chamber. The estimates in question are as follows:

| | First year. | Second year. |
|---|---------------|---------------|
| Family allowances..... | \$141,000,000 | \$190,000,000 |
| Death indemnities..... | 3,700,000 | 22,000,000 |
| Compensation for total disability..... | 5,250,000 | 35,000,000 |
| Compensation for partial disability..... | 3,200,000 | 21,000,000 |
| Insurance against death and disability..... | 23,000,000 | 112,500,000 |
| Total..... | 176,150,000 | 380,500,000 |

RECOMMENDATIONS OF THE COMMITTEE.

Your committee begs to report a vote of general approval of the bill and an indorsement of its main features. It embodies the principles laid down in your committee's report of May 31, 1917, when it was recommended that the Government should grant separation allowances to the dependents of enlisted men and commended the wisdom of the practice prevailing in Great Britain and Canada by which the men in service make allotments out of their Government pay for the care of their dependent relatives.

The bill goes further, in that it provides that the Federal Government shall undertake the entire cost of providing separation allowances for certain enlisted men, at the same time offering rates of compensation for death and disability and a plan of individual insurance for the men who are taking the hazards of war.

Your committee strongly indorses the proposal to have the Government undertake and handle the main task of caring for the dependents of the soldiers and sailors of the United States and begs to express the hope that the administration of the measure, necessarily involving thorough investigation concerning the circumstances of dependent families and the keeping of complete and accurate records in every individual case, will leave a minimum obligation upon the shoulders of private organizations to meet emergencies which careful Government organization in advance may easily forestall.

ALLOWANCES.

Your committee, having had before it the rates of allowances made to the dependents of enlisted men by the Governments of other countries, regards the allowances proposed in the bill as fair and calculated to meet average circumstances. The rates evidently have been determined after a careful consideration of the schedules existing in other countries and allowance made for the proportionate additional costs of living in the United States. The schedule provided in the bill, taken together with the allotments of soldiers' and sailors' pay, make the allowances the most liberal to the enlisted men of any country in the world.

COMPENSATION.

Your committee believes in the principle of compensation as proposed to be applied in the bill now before Congress. In some respects the rates of compensation in cases of death or disability might be a little more liberal, notably in respect to men who continue to suffer from a severe malady contracted during war service.

Although Article II (allotment and family allowances) of the bill takes cognizance of dependents other than widow, child, or widowed mother, the clause covering compensation for death or disability does not do so, and, we believe, is now too limited in its provisions. We suggest that this inconsistency should be remedied by provision in the compensation clause for parents, grandparents, brothers, and sisters if shown to be wholly dependent on the soldier or sailor prior to the latter's enlistment.

INSURANCE.

Your committee regards the provisions proposed under this head as part of the general scheme of compensation, and not as any separate scheme of insurance in the ordinary business sense. It also is believed that the plan as a whole serves as an excellent substitute for the existing pension scheme, which has been responsible for the introduction of many abuses of privilege which might be eliminated with great advantage to the nation.

In order to carry this out successfully, however, the assumption of insurance by soldiers and sailors should be as nearly universal as practicable circumstances will permit. Otherwise, when war is closed, the Government will be faced with both an insurance and an additional pension system.

Your committee believes, however, that it would be unfair to make the insurance provision compulsory upon each and every enlisted man, since there may be quite a number of soldiers and sailors who already have all the insurance they require, and an equally large number of men who have no dependents whatever and who, preferring some other form of thrift, can not persuade themselves as to the need for personal insurance.

It would seem, therefore, that these objections might be met by an amendment providing that it will be assumed that automatically every enlisted man takes out \$5,000 worth of life insurance at the rate provided under the bill, the premium for which shall be deducted from his monthly pay, unless and except, during the period available for his consideration of the matter, he makes a specific request in writing to the proper authority, who shall be designated, that he wishes to increase the amount of his policy or desires to be absolved from the insurance obligation altogether.

Such provision in itself would eliminate much time and expense otherwise to be consumed in the placing of the insurance among hundreds of thousands of men located in different parts of the world.

The cost of insurance herein provided will undoubtedly be very great. Whether it will be greater than pension plans already in existence can only be determined by a close study by those especially qualified to judge.

Your committee has been assured by proponents of the measure that Article IV of the bill does not contemplate the extension of governmental activities into

the general field of insurance business, but that it simply provides an opportunity for soldiers and sailors of the United States to insure their lives during a period of emergency, and that after the passing of such period this provision of the act will apply only to those who continue to be exposed to the hazards of naval and military life. These defenders of the country are not now able to take advantage of individual insurance because of the necessarily high rates which attach to the hazards of war service, and which rates admittedly are prohibitive to the great majority of enlisted men out of their Government pay.

PAUL J. KREUSI, *Acting Chairman.*

CHARLES L. ALLEN,

S. C. BEDFORD,

GEORGE B. FOSTER,

P. H. GADSDEN,

H. H. WESTINGHOUSE,

Committee on War Pay Rolls.

Resolution unanimously adopted by the National Convention of Insurance Commissioners held in St. Paul, Minn., at its recent session:

Resolved. Believing that this organization is thoroughly in sympathy with every movement to alleviate the distress that must come to many of the brave men who are called to the United States colors in the present war crisis, as well as to their families, we hereby indorse the action of the national administration in seeking to provide protection to its soldiers and sailors through the war-risk insurance bureau, and pledge to the President our hearty cooperation.

Resolution unanimously adopted by the executive committee of Life Underwriters' Association of Louisiana in special session held in New Orleans on September 11, 1917:

NEW ORLEANS, LA., *September 12, 1917.*

The executive committee of the Life Underwriters' Association of Louisiana in a special meeting held September 11, 1917, discussed the Government family allowance and compensation insurance bill for the benefit of soldiers, sailors, and nurses.

Said bill before the Congress of the United States is S. No. 2758 and H. R. No. 5723. After a full discussion the following resolutions were unanimously adopted:

"The executive committee of the Life Underwriters' Association of Louisiana heartily indorse the plan provided in articles 2 and 3 of the proposed bill for compensation and indemnity to our soldiers and sailors.

"We concur in the opinion of the special insurance committee appointed by the Secretary of the Treasury that article 1 is vicious in principle; and in view of the liberality of articles 2 and 3 it is absolutely unnecessary and should be eliminated.

"We believe that the amount of benefit to be distributed in each instance should be determined by the Government and not by the individual soldier.

"We believe that the cost should be borne wholly by the Government.

"We therefore request Senators Ransdell and Broussard to use their best efforts to eliminate article 4 or to amend the same—

"First. So that insurance shall be uniform in amounts to all in the service.

"Second. That there shall be no premium charge by the Government.

"Third. Insurance to be discontinued at the close of the war.

"Be it further resolved that the president of the Life Underwriters' Association and the chairman of the executive committee transmit a copy of these resolutions to Senators Ransdell and Broussard, also to members of the Finance Committee of the United States Senate.

LIFE UNDERWRITERS' ASSOCIATION OF LOUISIANA,

J. W. SMITHERS, *President.*

D. ROSS METZGER, *Chairman Executive Committee.*

The CHAIRMAN. This will conclude the hearing. The committee will now adjourn to meet in executive session to-morrow morning.

(Thereupon, at 4.30 o'clock p. m., the subcommittee adjourned to meet in executive session at 11 o'clock a. m., Wednesday, September 19, 1917, in the room of the Committee on Finance of the Senate.)

