Calendar No. 396

91ST CONGRESS
1st Session

SENATE

REPORT
No. 91-402

DISMEMBERMENT INSURANCE COVERAGE UNDER SERVICEMEN'S GROUP LIFE INSURANCE

SEPTEMBER 16, 1969.—Ordered to be printed

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

REPORT

[To accompany S. 2186]

The Committee on Finance, to which was referred the bill (S. 2186) to amend chapter 19, United States Code, so as to provide dismemberment insurance coverage under the servicemen's group life insurance program, having considered the same, report favorably thereon with amendments and recommends that the bill as amended do pass.

SUMMARY OF THE BILL

Under present law, active duty servicemen are insured for $10,000 under the servicemen's group life insurance program unless they choose either not to be insured or to be insured for $5,000. Servicemen pay premiums based on comparable civilian mortality rates; the premium for $10,000 in servicemen's group life insurance is currently $2 per month. The Federal Government pays that portion of the cost of the insurance due to the extra hazard of active duty.

The bill as reported by the committee would add to servicemen's group life insurance coverage indemnity payments in the event of dismemberment or loss of use of a hand or foot, or loss of sight of an eye. One-half of the face value of the insurance would be paid if the serviceman suffered anatomical loss or loss of use of one hand, one foot, or the sight of one eye; the full face value would be paid in the event of anatomical loss or loss of use of two or more such members.

BACKGROUND

On September 29, 1965, legislation was enacted which provided group life insurance to members on active duty in the uniformed services. The coverage is automatic for $10,000 of insurance unless the member elects in writing to be insured for $5,000, or not to be insured at all. The insurance continues for 120 days after separation from service, without any premium payment during this period.

Premiums for this insurance, including its cost of administration, are deducted monthly from servicemen's pay and remitted by each uniformed service to the Veterans' Administration, which in turn remits them to the primary insurer. The individual serviceman's premium, subject to change in accordance with the actual experience, has been set at $2 per month for $10,000 and $1 per month for $5,000.

Federal Employees' Group Life Insurance Program

Federal employees under present law are also eligible to purchase group life insurance under Federal legislation. In addition to providing insurance against death, however, the Federal employees' group life insurance program also incorporates protection in the case of loss of limb or sight. A Federal employee insured under this program receives one-half the face value of the insurance in the event of loss of a hand or foot or the loss of sight of one eye. The full face value of the insurance is payable in the event of loss of two or more such members. The dismemberment insurance is payable if the loss occurs as a direct result of and within 90 days after a bodily injury, providing it was not intentially self-inflicted.

The Bill

S. 2186 is patterned after the provisions of the Federal employees' group life insurance program. The committee feels that our servicemen, who face a much greater risk of physical injury, deserve at least as much protection as our Federal civilian employees.

The committee bill is broader than the Federal civilian employee program in one major respect: it provides the indemnity in the event of "loss of use" of hand or foot as well as in the case of anatomical loss. This similar treatment is well established in our compensation program for disabled servicemen and veterans, and it is particularly timely in these days when medical advances have been so effective.

Financing the additional protection would be on the same basis as the servicemen's group life insurance program as a whole: the serviceman will pay that part of the cost associated with comparable civilian risk, while the Government will bear the military extra hazard cost.

The Veterans' Administration estimates that it will not be necessary to raise the servicemen's $2 monthly premium (for $10,000 of insurance) to fund this additional protection.

Veterans' Administration Report

Veterans' Administration,
Office of the Administrator of Veterans' Affairs,
Washington, D.C. July 9, 1969.

Hon. Russell B. Long,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

Dear Mr. Chairman: This is in further reply to your request for a report on S. 2186, 91st Congress.

The purpose of the bill is to add dismemberment insurance coverage to the servicemen's group life insurance (SGLI) authorized by subchapter III of chapter 19 of title 38, United States Code, for members of the uniformed services on active duty. Under present law, members on active duty are automatically insured for $10,000 SGLI unless they elect in writing not to be insured or to be insured for $5,000.

Under the bill an amount of dismemberment insurance equal to (1) one-half the face value of SGLI would be payable for the loss of one hand or of one foot, or the loss of sight of one eye; and (2) the full face value of SGLI would be payable for the loss of two or more such members. Regardless of the number of such losses the amount of dismemberment insurance paid could not exceed the face value of the SGLI. The dismemberment insurance would be payable if such loss occurs as the direct result of and within a period of 90 days after a bodily injury has been suffered by such insured. However, no payment would be made for a loss resulting from an intentionally self-inflicted injury. We note that the bill does not clearly provide that the dismemberment coverage would be in addition to the basic life insurance benefit. While we have assumed that that is intended, the bill should be clarified in this respect if it is favorably considered by your committee.

The bill would amend 38 U.S.C. 769(b) so as to require the Government to bear the cost of the dismemberment insurance authorized under the bill traceable to the extra hazard of active duty in the uniformed services on the same basis that the Government now bears the cost of SGLI traceable to such extra hazards.

Under existing law, the administrative cost of SGLI to the Veterans' Administration is borne by the servicemen. Under 38 U.S.C. 769(d)(3) such cost is determined by the Administrator and transferred from the SGLI revolving fund to the appropriation "General operating expenses, Veterans' Administration." The administrative cost of the bill, if enacted, to the Veterans' Administration would be handled in the same manner.

It is noted that the SGLI provisions of subchapter III of chapter 19 of title 38, United States Code, are patterned in large part after the Federal employees' group life insurance (FEGLI) provisions of chapter 87 of title 5, United States Code. The bill, if enacted, would extend a benefit (dismemberment insurance coverage) now afforded Federal civilian employees under 5 U.S.C. 8704(b) to members of the uniformed services on active duty and on a similar basis. However, the two programs are not quite comparable. Under existing law, the servicemen bear all of the civilian-type losses under the SGLI program as well as the cost of administration, and the Government bears the cost of SGLI traceable to the extra hazard of active duty under a formula set forth in the law. On the other hand, the Government bears one-third and the employees two-thirds of the cost of the FEGLI program.

Although a dismemberment benefit is often provided in connection with life insurance, the payment of such a benefit through the SGLI program under present circumstances would not constitute a true insurance benefit. In effect, the SGLI program would be only a channel through which the Government would make additional lump-sum payments in dismemberment cases.

Under the Veterans' Administration's schedule for rating disabilities (promulgated pursuant to 38 U.S.C. 355), a veteran who has suffered the service-connected loss of one foot or one hand or blindness of one eye is rated, insofar as possible, according to the degree his disability would impair the earning capacity of the average person and is paid the rate of monthly disability compensation set forth in the law for the degree of his disability. Also, under 38 U.S.C. 314(k), such veteran is paid an additional statutory rate of compensation of $47 per month for each of the specified losses. These basic and statutory rates of compensation would be payable to all insureds receiving payments under the bill, except those few who suffer the losses involved within the 120-day period of insurance coverage after discharge or whose disabilities would not otherwise be held to be service connected. Disability compensation of $47 per month for life is roughly equivalent to $10,000, plus interest accruing over the payment period. To this the bill would add a one-time lump-sum payment of $5,000 or $10,000. The cost of both the monthly and lump-sum payments would be borne by the Government.

Claims cost under the provisions of S. 2186 will be much higher in wartime than in time of peace. Using compensation costs for the first 9 months of fiscal year 1969 as a basis for calculation, we estimate that the annual cost for the contemplated coverage during time of war would be $12 million, or 30 cents monthly per active duty serviceman. Using the 2 peacetime fiscal years of 1964 and 1965 as our basis, however, we find the annual cost during time of peace would be $1,900,000, or 6 cents per month per active serviceman. The margin in the present $2 premium would be more than adequate to absorb this 6-cent monthly charge during peacetime. Because of the extra-hazard provision in the law, the wartime cost would remain a Government obligation so long as the total claims level under the bill exceeds that of the general male population.

As the Veterans' Administration advised the Subcommittee on Veterans' Legislation of your committee at its recent hearings on this and other bills in the area of life insurance and S. 1471 proposing to increase payments of dependency and indemnity compensation, we are currently engaged in a study of the potential problem areas of the dependency and indemnity compensation program. This study, however, has not as yet reached the stage of permitting us to furnish specific recommendations for revision of that program. In view of the fact that dependency and indemnity compensation is the major Veterans' Administration benefit provided for the serviceman's primary survivors—his widow, children, and dependent parents—we believe that the life insurance programs available to servicemen and veterans, involving benefits which are not provided solely for the primary survivors of those insured, should be carefully reviewed in the light of the conclusions which we hope to reach regarding improvements in the primary dependency and indemnity compensation program. Accordingly, the Veterans' Administration refrains, at this time, from making any specific recommendations with respect to S. 2186 and the other pending insurance bills.

Advice has been received from the Bureau of the Budget that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely,

DONALD E. JOHNSON, *Administrator.*

(NOTE.—The Veterans' Administration subsequently estimated that extension of dismemberment insurance to indemnify loss of use of a hand or foot would increase the cost figures cited in the report from $12 million to $44 million in wartime and from $1.9 million to $6.5 million in peacetime.)

CHANGES IN EXISTING LAW MADE BY THE BILL AS REPORTED

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

TITLE 38, UNITED STATES CODE

* * * * * * *

Chapter 19.—INSURANCE

* * * * * * *

Subchapter III.—Servicemen's Group Life Insurance

* * * * * * *

§ 767. Persons insured; amount

(a) Any policy of insurance purchased by the Administrator under section 766 of this title shall automatically insure any member of the uniformed services on active duty against death in the amount of $10,000 from the first day of such duty, or from the date certified by the Administrator to the Secretary concerned as the date Servicemen's Group Life Insurance under this subchapter takes effect, whichever date is the later date, unless such member elects in writing (1) not to be insured under this subchapter, or (2) to be insured in the amount of $5,000.

* * * * * * *

(d) Each policy purchased under this subchapter shall, subject to such terms and conditions as the Administrator may approve, provide dismemberment insurance coverage as follows: (1) for the anatomical loss or loss of use of one hand or one foot or the loss of sight of one eye, the insured shall be paid an amount equal to one-half of the face value of the insurance; and (2) for the anatomical loss or loss of use of two or more of such members, the insured shall be paid an amount equal to the full face value of the insurance. Dismemberment insurance shall be paid to an insured who suffers the anatomical loss or loss of use of one or more limbs or the sight in one or both eyes if such loss or loss of use occurs as the direct result of and within a period of ninety days after a bodily injury has been suffered by such insured. The total amount of insurance paid under any policy of

servicemen's group life insurance on account of any one accident shall not exceed the face value of such policy. No payment shall be made under this subsection for the anatomical loss or loss of use of a limb or loss of eyesight as the result of an intentionally self-inflicted injury.

* * * * * * *

§ 769. Deductions; payment; investment; expenses

(a) During any period in which a member is insured under a policy of insurance purchased by the Administrator, under section 766 of this title, there shall be deducted each month from his basic or other pay until separation or release from active duty an amount determined by the Administrator (which shall be the same for all such members) as the share of the cost attributable to insuring such member under such policy, less any costs traceable to the extra hazard of active duty in the uniformed service. Any amount not deducted from the basic or other pay of a member insured under this subchapter while on active duty, if not otherwise paid, shall be deducted from the proceeds of any insurance thereafter payable. The initial monthly amount determined by the Administrator to be charged under this subsection for insurance under this subchapter may be continued from year to year, except that the Administrator may redetermine such monthly amount from time to time in accordance with experience. No refunds will be made to any member of any such amount properly deducted from his basic or other pay to cover the insurance granted under this subchapter.

(b) For each month for which any member is so insured, there shall be contributed from the appropriation made for his pay an amount determined by the Administrator and certified to the Secretary concerned to be the cost of such insurance which is traceable to the extra hazard of active duty in the uniformed services. Such cost shall be determined by the Administrator on the basis of the excess mortality *and dismemberment (including loss of use of one or more limbs and the loss of sight in one or both eyes)* suffered by members and former members of the uniformed services insured under this subchapter above that incurred by the male civilian population of the United States of the same age as the median age of members of the uniformed services (disregarding a fraction of a year) as shown by the records of the uniformed services, the primary insurer or insurers, and the Department of Health, Education, and Welfare, together with the most current estimates **[**of such mortality**]** *relating to mortality and dismemberment (including loss of use of one or more limbs and loss of sight in one or both eyes)*. The Administrator is authorized to make such adjustments regarding such contributions from pay appropriations as may be indicated from actual experience.

O