

## RENEWAL OF 5-YEAR LEVEL-PREMIUM-TERM INSUR- ANCE FOR WORLD WAR I VETERANS

JUNE 13, 1951.—Committed to the Committee of the Whole House on the State  
of the Union and ordered to be printed

Mr. RANKIN, from the Committee on Veterans' Affairs, submitted  
the following

### REPORT

[To accompany H. R. 1072]

The Committee on Veterans' Affairs, to whom was referred the bill (H. R. 1072) to amend the existing law to provide the privilege of renewing expiring 5-year level-premium-term policies of United States Government life insurance, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

#### EXPLANATION OF THE BILL

This bill provides that at the expiration of any 5-year period a World War I veteran may renew his United States Government life-insurance policy for an additional 5-year period at the premium rates for the attained age without a medical examination.

Since the enactment of the original law, four extensions have been made of 5 years each to permit World War I veterans to continue their 5-year level-premium-term policies. The present bill would make unnecessary any additional legislation on this point by the Congress, since renewal would be permitted at the expiration of each preceding 5-year term.

Hearings were held on this bill by a subcommittee, at which time testimony was received from the Veterans' Administration, as well as the American Legion and the Veterans of Foreign Wars. The Disabled American Veterans submitted a letter in support of the proposal.

No additional cost to the Federal Government will accrue as a result of the passage of this legislation, but such cost, if any, would be borne by the United States Government life-insurance fund.

The report of the Veterans' Administration thereon follows:

VETERANS' ADMINISTRATION,  
Washington 25, D. C., April 9, 1951.

Hon. JOHN E. RANKIN,  
*Chairman, Committee on Veterans' Affairs,  
House of Representatives, Washington 25, D. C.*

DEAR MR. RANKIN: This is in reply to your request for a report by the Veterans' Administration on H. R. 1072, Eighty-second Congress, a bill to amend the existing law to provide the privilege of renewing expiring 5-year level-premium-term policies of United States Government life insurance.

The purpose of the bill is to amend the second proviso of the first paragraph of section 301 of the World War Veterans' Act, 1924, as amended, to authorize renewal of United States Government life insurance on the 5-year level-premium-term plan for successive 5-year periods at the premium rate for the then attained age of the insured, without medical examination. Under existing law such insurance may be renewed for a second, third, fourth, or fifth 5-year period.

In what has been considered to be in the best interests of veterans and as a matter of service to them, the Veterans' Administration has not favored legislation to permit the renewal of term insurance at periodic intervals. In fact, the Veterans' Administration has consistently taken the position that conversion of term insurance to a permanent plan should be effected as soon as the insured's economic condition will permit because it is not to the advantage of insureds to defer such action due to the increasing premium rates which may become prohibitive at older ages. This has been amply demonstrated by the experience of insureds who continued to renew United States Government life insurance on the term plan. It is believed that if unlimited renewals were permitted by the enactment of this legislation, the result would be to induce holders of term policies to postpone conversion and continue their protection on a term basis.

All United States Government life-insurance policies include a provision granting benefits on account of total permanent disability, without limit as to the age before which disability must occur, for which no additional premium is charged. The probability of becoming totally disabled increases with advancing age and at the older ages practically becomes a certainty. The liability assumed on account of the disability provision must be met from what would otherwise be considered as surplus earnings if no disability provision were included in the policy. It is, therefore, necessary to accumulate from these earnings a fund which will be sufficient to provide for the liability assumed. The margins available for this purpose are smaller under the 5-year level-premium-term plan than under any of the other plans of converted insurance. The longer the holders of this plan of insurance are permitted to continue their insurance on the term basis, especially if evidence of insurability is not required, the more difficult it will be to make provision for the liability assumed on account of the disability provision. In the case of the older policyholders, it will be impossible to make provision for this liability from their own contributions.

Sound insurance underwriting requires that safeguards should be established to minimize the chances for adverse selection. Commercial life-insurance companies grant total disability protection only to persons in a preferred classification as to risk and the protection generally ceases when the insured attains the age of 60 years. Under United States Government life insurance there is no restriction as to the classification of risk or limit as to the age before which disability must occur and no age limit for the granting of new insurance. If the holders of 5-year-term insurance policies are permitted to renew their insurance on this plan without requiring evidence of insurability, it is evident that the adverse selection will be great and that the burden of this adverse selection will fall upon the other policyholders.

The United States Government life-insurance fund is a trust fund created and owned by the policyholders, the Government acting as administrator and trustee of the fund. In the administration of this fund the rights and interests of the great body of policyholders should be considered and protected. To grant special rights and privileges to one class of policyholders, known to contain a large percentage of impaired risks, at the expense of the other policyholders, would be unjust and discriminatory.

Whether insurance on a renewable term plan, even if available, would be desired by a large proportion of veterans is debatable. The experience under United States Government life insurance does not indicate that the majority of veterans prefer insurance on the term plan. Of the policyholders now carrying

the approximately half-million policies in force, only about 10 percent of those who could have had 5-year-term insurance now carry it on this plan despite the fact that the term policy is renewable without examination at the end of each 5-year period up to a maximum of four renewals.

It is estimated that the cost of the bill, if enacted, to the United States Government life-insurance fund would be about \$20,000,000. This figure is founded upon the assumption that the bases underlying current reserves continue unchanged into the future. The cost to the "Military and naval insurance" appropriation will be quite small, but cannot be accurately determined because it would depend in a great measure upon the amount of term insurance which would be dropped at the expiration of the fourth renewal period, rather than converted to a permanent plan.

Because of the adverse effect which this proposal would have upon the United States Government life-insurance fund, it is my belief that enactment thereof would not serve the best interests of the policyholders for whom such fund is maintained.

Advice has been received from the Bureau of the Budget that there would be no objection by that office to the submission of this report to the committee.

Sincerely yours,

O. W. CLARK,  
*Deputy Administrator*

(For and in the absence of the Administrator).

#### RAMSEYER RULE

In accordance with clause 2a of rule XIII, House of Representatives, the changes made in existing law by the bill are shown as follows (existing law proposed to be omitted is in black brackets; new matter is in italics; existing law in which no changes are proposed is shown in roman):

Second proviso of first paragraph of section 301 of World War Veterans Act of 1924 (38 U. S. C. 512):

*Provided further, That at the expiration of any five-year period a five-year level-premium-term policy may be renewed for a [second or third or fourth or fifth five-year period] successive five-year period at the premium rate for the attained age without medical examination;*

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