# LEGISLATIVE HEARING ON H.R. 2379, H.R. 2713, H.R. 2774, AND H.R. 2968

## HEARING

BEFORE THE

SUBCOMMITTEE ON DISABILITY ASSISTANCE AND MEMORIAL AFFAIRS

OF THE

COMMITTEE ON ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

JUNE 24, 2009

**Serial No. 111–31**

Printed for the use of the Committee on Veterans' Affairs

U.S. GOVERNMENT PRINTING OFFICE

51–870 WASHINGTON : 2010

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

## COMMITTEE ON VETERANS' AFFAIRS

BOB FILNER, California, *Chairman*

CORRINE BROWN, Florida
VIC SNYDER, Arkansas
MICHAEL H. MICHAUD, Maine
STEPHANIE HERSETH SANDLIN, South Dakota
HARRY E. MITCHELL, Arizona
JOHN J. HALL, New York
DEBORAH L. HALVORSON, Illinois
THOMAS S.P. PERRIELLO, Virginia
HARRY TEAGUE, New Mexico
CIRO D. RODRIGUEZ, Texas
JOE DONNELLY, Indiana
JERRY MCNERNEY, California
ZACHARY T. SPACE, Ohio
TIMOTHY J. WALZ, Minnesota
JOHN H. ADLER, New Jersey
ANN KIRKPATRICK, Arizona
GLENN C. NYE, Virginia

STEVE BUYER, Indiana, *Ranking*
CLIFF STEARNS, Florida
JERRY MORAN, Kansas
HENRY E. BROWN, JR., South Carolina
JEFF MILLER, Florida
JOHN BOOZMAN, Arkansas
BRIAN P. BILBRAY, California
DOUG LAMBORN, Colorado
GUS M. BILIRAKIS, Florida
VERN BUCHANAN, Florida
DAVID P. ROE, Tennessee

Malcom A. Shorter, *Staff Director*

---

## SUBCOMMITTEE ON DISABILITY ASSISTANCE AND MEMORIAL AFFAIRS

JOHN J. HALL, New York, *Chairman*

DEBORAH L. HALVORSON, Illinois
JOE DONNELLY, Indiana
CIRO D. RODRIGUEZ, Texas
ANN KIRKPATRICK, Arizona

DOUG LAMBORN, Colorado, *Ranking*
JEFF MILLER, Florida
BRIAN P. BILBRAY, California

Pursuant to clause 2(e)(4) of Rule XI of the Rules of the House, public hearing records of the Committee on Veterans' Affairs are also published in electronic form. **The printed hearing record remains the official version.** Because electronic submissions are used to prepare both printed and electronic versions of the hearing record, the process of converting between various electronic formats may introduce unintentional errors or omissions. Such occurrences are inherent in the current publication process and should diminish as the process is further refined.

# CONTENTS

**June 24, 2009**


| | Page |
|---|---|
| Legislative Hearing on H.R. 2379, H.R. 2713, H.R. 2774, and H.R. 2968 | 1 |

OPENING STATEMENTS

| | |
|---|---|
| Chairman John J. Hall | 1 |
| Prepared statement of Chairman Hall | 17 |
| Hon. Doug Lamborn, Ranking Republican Member | 5 |
| Prepared statement of Congressman Lamborn | 17 |

WITNESSES

| | |
|---|---|
| U.S. Department of Veterans Affairs, Thomas M. Lastowka, Director, Philadelphia Regional Office and Insurance Center, Veterans Benefits Administration | 12 |
| Prepared statement of Mr. Lastowka | 23 |
| Disabled American Veterans, John Wilson, Associate National Legislative Director | 9 |
| Prepared statement of Mr. Wilson | 21 |
| Donnelly, Hon. Joe, a Representative in Congress from the State of Indiana | 1 |
| Prepared statement of Congressman Donnelly | 18 |
| Halvorson, Hon. Deborah L., a Representative in Congress from the State of Illinois | 6 |
| Prepared statement of Congresswoman Halvorson | 19 |
| Kirkpatrick, Hon. Ann, a Representative in Congress from the State of Arizona | 11 |
| Prepared statement of Congresswoman Kirkpatrick | 20 |
| Tragedy Assistance Program for Survivors, Inc., Washington, DC, Bonnie Carroll, Chairman and Executive Director | 7 |
| Prepared statement of Ms. Carroll | 20 |

SUBMISSIONS FOR THE RECORD

| | |
|---|---|
| Buyer, Hon. Steve, a Representative in Congress from the State of Indiana, statement | 25 |
| Paralyzed Veterans of America, statement | 25 |

MATERIAL SUBMITTED FOR THE RECORD

| | |
|---|---|
| Post-Hearing Questions and Responses for the Record: | |
| Hon. John J. Hall, Chairman, Subcommittee on Disability Assistance and Memorial Affairs, Committee on Veterans' Affairs, to Bonnie Carroll, Chairman and Executive Director, Tragedy Assistance Program for Survivors, letter dated July 15, 2009, and response letter dated August 20, 2009 | 27 |
| Hon. John J. Hall, Chairman, Subcommittee on Disability Assistance and Memorial Affairs, Committee on Veterans' Affairs, to Thomas M. Lastowka, Director, Philadelphia Regional Office and Insurance Center, U.S. Department of Veterans Affairs, letter dated July 15, 2009, and VA responses | 29 |

# LEGISLATIVE HEARING ON H.R. 2379, H.R. 2713, H.R. 2774, AND H.R. 2968

**WEDNESDAY, JUNE 24, 2009**

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON VETERANS' AFFAIRS,
SUBCOMMITTEE ON DISABILITY ASSISTANCE AND MEMORIAL AFFAIRS,
*Washington, DC.*

The Subcommittee met, pursuant to notice, at 3:27 p.m., in Room 334, Cannon House Office Building, Hon. John Hall [Chairman of the Subcommittee] presiding.

Present: Representatives Hall, Halvorson, Donnelly, Kirkpatrick, and Lamborn.

## OPENING STATEMENT OF CHAIRMAN HALL

Mr. HALL. Good afternoon, ladies and gentlemen. The Committee on Veterans' Affairs, Subcommittee on Disability Assistance and Memorial Affairs, Legislative Hearing on H.R. 2379, H.R. 2713, H.R. 2774, and H.R. 2968 will now come to order.

I would ask you to please rise for the Pledge of Allegiance. Flags are at both ends of the room.

[Pledge of Allegiance.]

Mr. HALL. Thank you.

Today we will have testimony on these four pieces of legislation. As a courtesy to Congressman Donnelly, I will ask him first to speak on H.R. 2713, the "Disabled Veterans Life Insurance Enhancement Act," which he sponsored, then I will give my opening statement and then we'll proceed to the rest of the bills.

Mr. Donnelly, you are recognized.

## STATEMENT OF HON. JOE DONNELLY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Mr. DONNELLY. Thank you, Mr. Chairman. I greatly appreciate it.

And to Chairman Hall and to Ranking Member Lamborn, who I am sure will be here a little bit later, I want to thank you for calling this legislative hearing and for the opportunity to speak on the need to enhance and update the Service-Disabled Veterans Insurance (S–DVI) Program. The life insurance policy offered to disabled veterans is badly out of date and, as a result, less than four percent of eligible veterans participate.

I believe that life insurance speaks directly to President Lincoln's promise, to care for him who shall have borne the battle and for

his widow and his orphan by providing financial assistance to families in the event of a veteran's death.

However, Congress must recognize the importance of enhancing and updating life insurance for our service-connected disabled veterans and ensure that this policy better provides for the needs of participating veterans' families.

The "Disabled Veterans Life Insurance Enhancement Act" would make long overdue changes to an existing life insurance program that covers veterans with service-connected disabilities. We have a responsibility to care for our veterans and their surviving loved ones, which is why I want to update the outdated life insurance program that currently covers our disabled servicemen and women.

S–DVI was created in 1951 to provide life insurance to disabled veterans who, because of their service-connected disabilities, would be unable to obtain life insurance on the commercial market or would be required to pay especially high premiums.

Veterans' groups have argued for years that the coverage is not enough, but efforts to increase the amount have not gained traction.

In their annual *Independent Budget*, major veterans' groups support the idea of cutting premiums for the insurance and updating the mortality tables.

The program started in 1951, but it used a 1941 mortality chart to set premiums and as a result, S–DVI is no longer competitive with commercial insurance.

Currently, the policies are issued for a maximum face value of only $10,000, an amount that has not been updated for 58 years.

Additionally, the current mortality tables are almost 70 years old. Tables now are based on the assumption that disabled vets die at an average of 58, which is no longer true given today's record.

As life expectancy has significantly improved over the past 60 years, commercial insurance companies have used up-to-date mortality tables. The newest table in general used by the insurance industry has premium rates roughly 50 percent lower than S–DVI rates.

According to the veterans service officer from Elkhart County in my district, the average burial is about $6,500. If the disabled vet only has $10,000, that does not leave much for his loved ones.

Mr. Chairman, veterans expect the same thing each of us do when we pay into a life insurance policy: the promise that when we pass, during that difficult time, our surviving loved ones are not burdened with not only the cost of the memorial and burial but other costs, day-to-day expenses, and the fear of how they will provide in the future.

Unfortunately, that opportunity hardly exists with the current structure of S–DVI because the payment is capped at $10,000. Participating veterans are also denied the opportunity to purchase additional coverage through the program.

This Act would enhance the S–DVI by increasing the maximum under base policies from $10,000 to $100,000 and offers an open period for eligible service-connected disabled veterans to apply if they are not currently enrolled.

And while the $10,000 maximum coverage was part of the program from its 1951 start, the amount actually has not changed since the government first offered this kind of insurance in 1917.

Put in perspective, according to the National Association of Insurance Commissioners, the average life insurance policy purchased in 2007 was $176,000.

My legislation would direct the U.S. Department of Veterans Affairs (VA) to revise its premium schedule to reflect current mortality tables and increase the supplemental coverage for vets who have been rated 100-percent service-connected from $20,000 to $50,000. This bill has the support of the Disabled American Veterans (DAV).

Since the S–DVI Program is not a fully self-supporting fund, it does require appropriations and, therefore, subsidies are expected to increase. Even though there are standard premium rates, for example, our 100-percent disabled veterans' base premiums are waived if they apply and are granted supplemental insurance. Keep in mind that these great American veterans have service-connected disabilities and are unable to obtain life insurance due to their conditions.

I am aware expenses for this program will increase. But as Members of the Committee are aware, we must also increase our commitment to our disabled veterans who pay the price for their service and sacrifice.

I am committed to fiscal responsibility and understand the necessary hurdles with Pay-As-You-Go rules. We are dedicated to pursuing the goal of updating S–DVI. We seek the support of my colleagues in doing something to bring this policy into the 21st century, and we will work together to try and find the offsets for this program.

Thank you very much for this chance to address the Subcommittee, Ranking Member Lamborn, Chairman Hall, and I want to thank you very much for your time.

[The prepared statement of Congressman Donnelly appears on p. 18.]

Mr. HALL. Thank you, Mr. Donnelly.

I do have a few questions for you, but I know you are already late for another engagement.

Mr. DONNELLY. Go right ahead.

Mr. HALL. Okay. Well, I will just briefly ask. The DAV has made two suggestions to amend your bill, which would allow an open enrollment and more choices for S–DVI levels of coverage.

What do you think of those recommendations?

Mr. DONNELLY. We would be more than happy to work with the DAV and also with the Committee. We view this as a starting point, Mr. Chairman, and want to work with you and the Ranking Member in producing the best possible legislation.

Mr. HALL. How did you determine the maximum benefit of $150,000 including base and supplemental coverage would be appropriate?

Mr. DONNELLY. What we tried to do is be reflective of the initial intention of the program adjusted for where we are in today's economy. Obviously, in 1951, it was $10,000. And what we tried to do is be reflective of the average life insurance policy today, which is

at $176,000 and tried to have consideration of the costs as well that we face.

And so that was the number we came up with. And, again, that is a number that we are more than happy to work with the Committee to find the most appropriate place.

Mr. HALL. Lastly, the 3.5 percent participation rate is shockingly small. If Congress made the rates more equitable with the private sector, do you think more veterans would participate?

Mr. DONNELLY. We think we would see a significant increase. With a policy that is at $10,000, people just do not see it as really part of the solution of taking care of their family.

Mr. HALL. Ranking Member Lamborn, would you like to ask some questions?

Mr. LAMBORN. No. But I do want to say that I support this legislation. I think that it is well-formed and I certainly look forward to tweaking it a little bit. I certainly support the thrust behind it and look forward to working together on it.

Mr. DONNELLY. Thank you, Ranking Member.

And I will tell you what. We feel that the legislation can only become better as we work with you and the Chairman and the Committee.

Mr. HALL. Thank you, Mr. Donnelly.

Mr. DONNELLY. Yes, sir. Thank you for your consideration as well.

Mr. HALL. You are very welcome.

I believe our other witnesses are, some of them are here and some of them will be here. I am sorry we were late once again. Procedural votes on the floor delayed us as you probably know.

So we are considering H.R. 2379, H.R. 2713, H.R. 2774, and H.R. 2968. These measures are all critical and common-sense bills intended to ensure that our veterans and their families who have insurance related needs while they are living receive the full measure of benefit and that their survivors have ample replacement income to meet their needs.

Additionally, these bills would allow veterans to make the necessary plans to ensure that their loved ones are provided for adequately and have financial security.

All the bills are relatively noncontroversial. They would give veterans greater flexibility in their insurance choices and, consequently, greater peace of mind. I am happy to have them under consideration today.

Specifically, H.R. 2379, the "Veterans' Group Life Insurance Improvement Act of 2009," sponsored by Mr. Buyer, would allow veterans to purchase up to $400,000 of Veterans' Group Life Insurance (VGLI) coverage in $25,000 increments every 5 years until the age of 60, giving veterans greater options in their life insurance choices.

Mr. Donnelly's bill, which we just heard about, would make long overdue updates and changes to the VA's Service-Disabled Veterans' Insurance Program, including increasing basic and supplemental coverage and updating the 1941 rate tables.

The "Families of Veterans Financial Security Act," H.R. 2774, sponsored by Mrs. Halvorson, a freshman Member on this Committee, would make permanent the 2-year extension of the free

Servicemembers' Group Life Insurance (SGLI) coverage period for servicemembers who are totally disabled on the date of their separation from active duty or Reserve status.

And, lastly, H.R. 2968, sponsored by Mrs. Kirkpatrick, another freshman Member on this Committee, would amend the provision that allows a servicemember with SGLI or a veteran with VGLI who is terminally ill to get half of their SGLI or VGLI coverage while they are still alive by eliminating the discount rate that VA applies to this payment.

This bill would make the policies consistent with the commercial insurance industry and provide significant benefit to servicemembers and veterans by not discounting and, hence, lowering these payments.

I commend the Members for sponsoring these thoughtful measures and look forward to hearing from all of our witnesses on these bills. And I thank you for being here today.

I now yield to Ranking Member Lamborn for his opening statement.

[The prepared statement of Chairman Hall appears on p. 17.]

**OPENING STATEMENT OF HON. DOUG LAMBORN**

Mr. LAMBORN. Thank you, Mr. Chairman, for holding this hearing to discuss the legislation before us.

H.R. 2379, the "Veterans' Group Life Insurance Improvement Act of 2009," was introduced by full Committee Ranking Member Steve Buyer and it would increase the amount of life insurance available to veterans.

Veterans' Group Life Insurance provides veterans the ability to obtain a competitive life insurance policy for them and their family in post-military life.

Under current law, separated servicemembers have up to 1 year from discharge to convert their Servicemembers' Group Life Insurance policies to VGLI. And whatever level of coverage they select at that time is unchangeable.

Many are young and do not see the need to carry a large amount of life insurance coverage. However, as they get older and have families, the need for additional coverage grows.

This bill would allow veterans to purchase up to $400,000 of VGLI coverage in $25,000 increments every 5 years until the age of 60. The cost of such increases in coverage will be offset by premiums veterans pay, so there is no direct cost to the government.

The opportunity to allow our veterans greater flexibility in their life insurance choices without increasing the burden on taxpayers leaves little doubt as to whether H.R. 2379 is a worthy measure.

I urge all members to cosponsor and support this legislation.

I also want to thank my colleagues, Mrs. Halvorson and Mrs. Kirkpatrick and Mr. Donnelly, for introducing the other measures before us today. These bills would also make improvements to insurance benefits for veterans, and I want to note my support for them.

I thank the Chair and the witnesses for their testimony and I yield back.

[The prepared statement of Congressman Lamborn appears on p. 17.]

Mr. HALL. Thank you, Congressman Lamborn.

I would remind all panelists that your complete written statements have been made a part of the hearing record. Please limit your remarks so that we may have sufficient time for follow-up questions once everyone has heard the testimony.

And since Mr. Buyer is not here, I do not believe he will be able to attend. I understand that he is otherwise tied up.

But I am sure, Mr. Lamborn, if we need more description of the legislation, we can get it from our Ranking Member.

Mr. Donnelly, we already heard from.

Mrs. Halvorson, you are next and recognized for 5 minutes.

**STATEMENT OF HON. DEBORAH L. HALVORSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS**

Mrs. HALVORSON. Thank you, Mr. Chairman, and good afternoon. Thank you so much for holding this hearing.

And Ranking Member, Mr. Lamborn, and Members of the Subcommittee, thank you for allowing me to speak.

I am excited to be here to discuss H.R. 2774, the "Families of Veterans Financial Security Act." H.R. 2774 would make permanent the extension that totally disabled veterans currently receive from the Servicemembers' Group Life Insurance.

SGLI is operated by the Department of Veterans Affairs and provides low-cost group life insurance to Members of the uniformed services.

It was originally developed to make insurance benefits available for veterans and servicemembers who were not able to secure insurance from private companies due to the extra risk involved in military service or because of service-connected disability.

Currently the SGLI disability extension allows servicemembers who are totally disabled at the time they are discharged to retain their SGLI coverage at no cost for up to 2 years. This extension has guaranteed that the veterans that are in most need, the ones that are seriously disabled as a result of their service, are fully covered under the SGLI Program and will not lose their life insurance coverage.

It has given military families the peace of mind that their financial security is strong so that they can worry about their loved ones and not the worst case scenario.

Furthermore, the extension has provided additional time for VA to contact veterans and assist them with making informed decisions about what life insurance options are available after they are no longer eligible for the SGLI Program.

Unfortunately, the SGLI extension is set to expire, potentially costing disabled veterans thousands of dollars. If allowed to expire, the extension would fall to only 18 months of coverage as opposed to the 24 that veterans currently receive.

H.R. 2774 would make permanent the 24-month extension and allow veterans to continue to focus on what is most important, their rehabilitation and recovery.

My bill maximizes the opportunity for disabled veterans who have limited or no opportunity of obtaining commercial insurance to obtain insurance coverage, insurance coverage that will provide financial security to the families of our wounded warriors.

There is no cost to the government that is associated with this legislation as the SGLI Program will assume all costs.

Thank you, Mr. Chairman and Members of the Subcommittee. I would be happy to address any questions that you or any of the other Members of the Committee would have for me.

[The prepared statement of Congresswoman Halvorson appears on p. 19.]

Mr. HALL. Thank you, Mrs. Halvorson.

Mrs. HALVORSON. I yield back.

Mr. HALL. We do have some questions. I would like to ask, while it seems to make a lot of sense, of course, to permanently extend the coverage period for SGLI for 2 years, since servicemembers who are disabled are going through a very difficult and trying time, have you had any feedback from servicemembers or their families who have benefited from this coverage and what did they think?

Mrs. HALVORSON. Well, what I have heard, and we are talking here about service-related totally disabled veterans, and these are the veterans that often cannot find any other commercially offered insurance, and I have a Veterans Advisory Committee, and this is one of the things that came to my attention as something that they find very, very important as they are making these informed decisions with their family.

Mr. HALL. Thank you.

Mr. Lamborn, would you like to ask a question?

Mr. LAMBORN. No. Thank you for the opportunity. But I do want to just reiterate my support for this good measure and I am happy that I can support it. I commend the gentlelady for offering it.

Mrs. HALVORSON. Thank you, Mr. Lamborn.

Mr. HALL. Thank you, Mr. Lamborn and Mrs. Halvorson.

Since Mrs. Kirkpatrick is delayed, we will wait to hear from her and ask panel two to join us at the witness table.

Bonnie Carroll, the Founder of the Tragedy Assistance Program for Survivors (TAPS), and John Wilson, the Associate National Legislative Director of Disabled American Veterans.

Welcome, both of you. You know the routine by now. Your full statements, written statements are entered in the record and you may amend them or abridge them as you see fit.

Ms. Carroll, you are now recognized for 5 minutes.

## STATEMENTS OF BONNIE CARROLL, CHAIRMAN AND EXECUTIVE DIRECTOR, TRAGEDY ASSISTANCE PROGRAM FOR SURVIVORS, INC., WASHINGTON, DC; AND JOHN WILSON, ASSOCIATE NATIONAL LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERANS

### STATEMENT OF BONNIE CARROLL

Ms. CARROLL. Thank you, Mr. Chairman and distinguished Members of the Subcommittee.

On behalf of the Tragedy Assistance Program for Survivors and the families of those who have died while serving in the Armed Forces, I am honored to have the opportunity to testify today.

Thank you for the compassionate care this Committee has given our veterans and the surviving family members of our fallen warriors. Through your vigilance and prompt action on key legislation,

you have ensured America is honoring those who have served and sacrificed for freedom.

As the widow of a soldier killed in the Army National Guard, a Reserve officer of 26 years myself, former White House liaison for the Department of Veterans Affairs, Department of the Army Civilians Serving in Iraq, and member of the Department of Veterans Affairs Advisory Committee on Disability Compensation, and as the Executive Director of TAPS, I have seen the best of the services provided to our surviving families both in the public and private sectors. It is a privilege to offer my insight today.

H.R. 2379, the "Veterans' Group Life Insurance Improvement Act of 2009," brings parity to VGLI, matching the maximum benefit of $400,000 from the Servicemen's Group Life Insurance from which they are transferring this important benefit upon leaving military service and transitioning to veteran status.

This is an important change to the VGLI because it gives additional flexibility to the veterans and increases their ability to provide for their families.

As it currently stands, the S–DVI, the Service-Disabled Veterans Insurance, which offers a benefit to those who survive the death of a service-disabled veteran, is outdated and in dire need of improvement.

As noted in honoring the call to duty, veterans' disability benefits in the 21st century, Congress explicitly intended to have S–DVI premiums hover close to the private sector's premiums for non-disabled individuals.

The current $10,000 limit is far from the 2007 average life insurance policy of $176,000. Today, $10,000 barely covers the cost of the average funeral.

By increasing the life insurance premium and life insurance maximum to $100,000, veterans are better able to provide financial support for their families after their death.

When S–DVI was created in 1951, it based premiums on a mortality chart that was already a decade old. In the years following, the premiums have not been adjusted to incorporate changes in life expectancy, making premiums unnecessarily high for our veterans.

We support the adjustment proposed in H.R. 2713, the "Families of Veterans Financial Security Act," which increases the time after separation from active duty from 18 months to 2 years during which a servicemember can receive SGLI coverage, it is an important improvement to SGLI.

TAPS supports this legislation and applauds the Committee's compassionate understanding of the challenges facing service-disabled veterans and their families during this critical time.

The greatness of a nation and its moral progress can be judged by the way its veterans and those who serve them are treated.

Today's hearing and the legislation proposed makes strides toward improving the financial security of the surviving family members of our warriors.

On behalf of the families of our fallen heroes and TAPS, I appreciate the dedication and commitment of the distinguished Members of the Subcommittee to protect, defend, restore, and improve the services provided to those who have served our Nation in peace and war and their families.

Thank you for the opportunity to submit testimony on behalf of the surviving families.

[The prepared statement of Ms. Carroll appears on p. 20.]

Mr. HALL. Thank you, Ms. Carroll.

Mr. Wilson, you are now recognized for 5 minutes.

**STATEMENT OF JOHN WILSON**

Mr. WILSON. Thank you, Mr. Chairman.

Mr. Chairman, Members of the Subcommittee, on behalf of the DAV, I am pleased to address the "Disabled Veterans' Life Insurance Enhancement Act," H.R. 2713, which would amend Title 38 U.S. Code to make certain improvements in the Service-Disabled Veterans' Insurance Program of the VA.

Specifically, this bill would provide for a 2-year period, beginning on the date of its enactment, during which a qualified veteran may submit an application for insurance despite the fact that such claimant's time limit for filing an application for service-disabled insurance may have expired.

Further, H.R. 2713 would increase the maximum amount of protection from $10,000 to $100,000 and would increase the supplemental insurance for totally disabled veterans from $20,000 to $50,000.

Finally, the bill would replace the Commissioner's 1941 standard ordinary table of mortality with an appropriate and a current mortality table as selected by the Secretary.

The four veterans service organizations (VSOs) of *The Independent Budget* have consistently stood behind the need to lower the premium schedule for Service-Disabled Veterans' Insurance or S–DVI, specifically advocating that the VA be authorized to charge lower premiums for S–DVI policies based on improved life expectancy under current mortality tables.

Congress created the S–DVI Program to furnish disabled veterans' life insurance at standard rates because the service-connected disabilities veterans have make it difficult for them to obtain commercial life insurance. If they obtain commercial life insurance, they are charged higher premiums.

When this program began in 1951, its rates were based on mortality tables of that time and were competitive with commercial insurance. Commercial rates have since been lowered to reflect improved life expectancy.

However, the VA has continued to base its rates on mortality tables from 1941. Consequently, S–DVI premiums are no longer competitive for the commercial insurance and, therefore, no longer provide the intended benefit.

The current $10,000 maximum for life insurance under S–DVI does not adequately provide for the needs of survivors. When life insurance for veterans had its beginnings in the War Risk Insurance Program first made available to members of the Armed Forces in October 1917, coverage was limited to $10,000. A $10,000 life insurance policy that provided sufficiently for loss of income from the death of an insured in 1917 certainly does not do so in 2009.

We would, however, propose two amendments for the Subcommittee's consideration. First, we would suggest the legislation be modified to provide an open-ended period for veterans to apply

for Service-Disabled Veterans' Insurance which is consistent with the DAV's resolution number 16.

Under the current program, service-connected disabled veterans are entitled to apply for S–DVI within 2 years from the date the VA grants service connection for any disability. Many eligible veterans, due to financial difficulties and problems associated with the adjustment to civilian life, do not apply for this insurance within the eligibility period.

Many of the same disabled veterans are now prepared and can afford to purchase insurance, but are not able to purchase comparable insurance coverage in the private sector. The DAV seeks the enactment of legislation that would authorize an open period for eligible service-connected disabled veterans to apply for coverage under the S–DVI Program.

Second, we would suggest legislative language be modified to allow veterans to choose the amounts of S–DVI coverage in increments of $10,000, up to a $100,000 maximum. This level of flexibility would allow them to structure the insurance coverage that best suits their financial and personal needs.

Given the aforementioned references in *The Independent Budget* and DAV's resolution on this subject, we fully support this long overdue and beneficial legislation.

We also extend our appreciation to Mr. Donnelly for introducing this important legislation that, if adopted, will ease the burden faced by so many that, up until now, have had no prospect for adequately providing for their families.

We also applaud the efforts of every Member of this Subcommittee for their advocacy in this critical area.

Regarding the "Veterans' Group Life Insurance Improvement Act of 2009," H.R. 2379, the "Families of Veterans Financial Security Act," H.R. 2774, and requiring the reduction in the amount of accelerated death benefits payable to certain terminally ill persons under "Servicemembers' Group Life Insurance, Veterans' Group Life Insurance," H.R. 2968, the DAV has no resolutions on these issues. However, we have no opposition to their favorable consideration.

This concludes my testimony, and I will be happy to answer any questions the Subcommittee may have.

[The prepared statement of Mr. Wilson appears on p. 21.]

Mr. HALL. Thank you, Mr. Wilson.

Ms. CARROLL, recognizing that hindsight is 20/20, what could VA do better or what could VA do to better ensure that veterans and their families understand their insurance program options before it is too late? How could or how should VA use its newly instituted Office of Survivors Assistance, established in Public Law 110–389, in this regard?

Ms. CARROLL. The Office of Survivors Assistance has become a primarily policy focused shop. There is an Office of Survivors Assistance in Veterans Benefits Administration (VBA) which is extremely active and is a day-to-day boots-on-the-ground of the families.

And I want to applaud the VA for that office in VBA which our organization works with on a daily basis. I really feel that the VA has done an outstanding job in providing assistance to our families

and that office has done a tremendous job to support and educate families and handle any issues that have arisen.

Mr. HALL. Mr. Wilson, currently, service-connected disabled vets are entitled to apply for service-disabled insurance, S–DVI, within 2 years from the date that VA grants service-connection.

In your testimony on H.R. 2713, you recommend modifying the legislation to provide for an open-ended period for veterans to apply for S–DVI.

How long would your proposed open-ended period be effective? Do you see it as truly open-ended or are you just thinking about a longer time?

Mr. WILSON. We would see that as truly open-ended, yes, sir. As long as a veteran has the opportunity, would have the means and the financial wherewithal to apply, they should be able to do so. Circumstances may change over time. Employment may improve. Family situations may improve. We do not know.

The concern we also have is in asking for an amendment to the proposed legislation, which, as I said before, we think this is excellent, an excellent bill, is that we understand there are some veterans who are in rural areas, perhaps urban areas who just do not have the income to manage the small premiums as they are right now for the $10,000 policy.

We anticipate when these new mortality tables are reviewed and updated, then, in fact, premiums may go down, which will be a benefit. And we also believe that with lower premiums, the veterans should then be able to apply for larger amounts of insurance, but up to various increments to the $100,000 level and for an open-ended period.

Mr. HALL. Thank you.

Mrs. Kirkpatrick, would you like to ask questions of our second panel?

Mrs. KIRKPATRICK. Thank you, Chairman. I do not have any questions of this panel. Thank you.

Mr. HALL. Well, I thank you both for your testimony and for your patience. You are excused. Our second panel is excused. Thank you for your patience and have a good day.

Now, Mrs. Kirkpatrick, I would recognize you to speak on your legislation.

## STATEMENT OF HON. ANN KIRKPATRICK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARIZONA

Mrs. KIRKPATRICK. Thank you, Mr. Chairman. I appreciate this opportunity to put my comments on the record regarding my bill, H.R. 2968, which will be named the "VGLI SGLI Accelerated Benefits Option Equity Act of 2009."

I introduced this bill with Republican Walter Jones of North Carolina to do just one thing: to make the group life insurance offered to veterans and servicemembers both fairer and more consistent with commercial life insurance.

Under both Veterans' Groups Life Insurance and Servicemembers' Group Life Insurance, when a veteran or a servicemember is terminally ill, they can elect to receive up to half of their coverage while they are still alive. They can use this acceler-

ated benefits option (ABO) to pay medical bills, improve their quality of life, or in any way they see it.

However, current regulations require VGLI and SGLI to decrease the payout these veterans and servicemembers collect by a percentage based on the prevailing interest rates. In recent years, this has amounted to a decrease of as much as $6,000.

By contrast, most commercial life insurance policies that allow ABO withdrawals do not decrease this payout to claimants. We can and must do better for our veterans.

This simple, common-sense bipartisan bill removes this deduction so that we might better serve terminally ill veterans and servicemembers at the most financially vulnerable time for them and their families.

Removing this deduction can be accomplished using the life insurance premiums veterans and servicemembers currently pay. This means that we can accomplish this important change without any additional cost to veterans, servicemembers, or taxpayers, and without PAYGO implications.

Mr. Chairman, I appreciate again this opportunity to speak about H.R. 2968 and thank you for your consideration.

[The prepared statement of Congresswoman Kirkpatrick appears on 20.]

Mr. HALL. Thank you, Mrs. Kirkpatrick. I have two questions for you if you could answer them, please.

First, have you had any feedback on how VA would go about determining eligibility for this benefit and, second, would a veteran have to be admitted to a hospice program, for instance?

Mrs. KIRKPATRICK. You know, I do not have information about either one of those questions, but we will research that and get an answer back to you.

Mr. HALL. Okay. Thanks. And perhaps we will hear from our next panel about that as well. Thank you very much for being here and for this legislation which I believe would do a great service to our veterans.

Mrs. KIRKPATRICK. Thank you, Mr. Chairman.

Mr. HALL. Now I would ask our third panel to join us at the witness table. Thomas M. Lastowka, Director of the VA Regional Office and Insurance Center, Veterans Benefits Administration, U.S. Department of Veterans Affairs, and Richard J. Hipolit, Assistant General Counsel of the Department of Veterans Affairs.

Gentlemen, thank you for being here and thank you for your patience this afternoon. I would remind you as always that your written testimony is in the record, so feel free to deviate from it if you wish.

Mr. Lastowka, you are recognized for 5 minutes, sir.

**STATEMENT OF THOMAS M. LASTOWKA, DIRECTOR, PHILADELPHIA REGIONAL OFFICE AND INSURANCE CENTER, VETERANS BENEFITS ADMINISTRATION, U.S. DEPARTMENT OF VETERANS AFFAIRS; ACCOMPANIED BY RICHARD J. HIPOLIT, ASSISTANT GENERAL COUNSEL, OFFICE OF GENERAL COUNSEL, U.S. DEPARTMENT OF VETERANS AFFAIRS**

Mr. LASTOWKA. Thank you very much, Mr. Chairman.

Mr. Chairman and Members of the Subcommittee, I appreciate the opportunity to appear before you today to discuss various legislative proposals pending in the 111th Congress that would impact the VA Life Insurance Programs.

We are pleased to support much of the legislation that is part of the Subcommittee's agenda today.

H.R. 2774 would make permanent the extension of the duration of the free coverage for totally disabled veterans in the Servicemembers' Group Life Insurance Program.

At the end of the 2-year disability extension period, the individual's SGLI is automatically converted to VGLI, Veterans' Group Life Insurance, providing financial security for disabled-veterans and their families.

Under current law, the extension period will be decreased to 18 months in 2011. Any costs associated with keeping the extension period at 2 years permanently would be absorbed by the SGLI Program. VA strongly supports H.R. 2774.

H.R. 2379 would improve the VGLI Program by making a greater amount of life insurance available to the program's insured veterans.

Currently, veterans can convert only the amount of SGLI they had at the time of their separation. This bill would permit veterans, including those with service-connected disabilities, to increase their VGLI by $25,000 every 5 years until age 60. Veterans could buy up to whatever the new existing SGLI coverage is, currently $400,000.

Currently, 96 percent of those insured under VGLI have less than $400,000 coverage. Insured veterans in the VGLI program have expressed interest in obtaining more coverage. There is no cost to the government. The cost would be absorbed by the VGLI Program. VA strongly supports the enactment of H.R. 2379.

H.R. 2968, would positively impact the benefit known as the accelerated benefit option or ABO. ABO allows terminally ill servicemembers insured by SGLI or VGLI to receive up to 50 percent of the life insurance coverage prior to their death to use at their discretion.

Unlike commercial versions of this benefit, the statute covering the ABO requires us to discount the amount of the payment that is reduced by the time value of money. This amendment would eliminate that requirement. Any cost would be absorbed by the program. VA strongly supports this proposal.

H.R. 2713, Mr. Chairman, in our discussion with your staff, we understand what this legislation is intended to do. In our review, we think we have discovered some technical difficulties which would require some changes to do what the sponsor wants it to do, and we are prepared to discuss those with Committee staff.

Nonetheless, though, we are prepared to testify on what we believe the legislation is trying to do. The legislation would provide for a 2-year open season to veterans who are otherwise eligible for S–DVI, but did not submit an application or premium payment within the current 2-year statutory period.

The bill would require that S–DVI premiums be based on an updated mortality table. The maximum amount of S–DVI would be

increased from $10,000 to $100,000 and the maximum supplemental S–DVI would increase from $20,000 to $50,000.

VA opposes H.R. 2713 because it goes far beyond the appropriate and the legitimate policy goals normally associated with the VA life insurance programs the foremost which is to enable veterans to regain the opportunities to purchase life insurance they may have lost due to their military service.

This bill would create a new and expensive program offering insurance policies far beyond what would be normally available to similarly situated civilians. Under this bill, many older veterans who are now totally disabled due to their service-connected disabilities would be eligible for $100,000 of basic S–DVI and for the $50,000 S–DVI supplemental coverage. Because of the cost of this program, of these policies, and the disproportionate number of policyholders who would be in poor health when they apply, there would be a substantial annual appropriation needed to fund this program.

We believe the combination of eligibility criteria and advancing age of the veterans covered by the legislation would create an expensive benefit and would be available to veterans in a rather haphazard fashion depending on their age, their employability status, decisions they made on insurance needs over the past 58 years, and on the sequencing of the veterans in developing getting service-connected and nonservice-connected disabilities.

We are unable to provide cost estimates at this time. We would like to submit them later in writing. But so far, we have determined that there would be substantial cost, quite possibly billions of dollars.

For these reasons, VA opposes enactment of H.R. 2713.

[The VA provided the cost estimate for H.R. 2713 in response to question #7 of the Post-Hearing Questions and Responses for the Record, which appear on p. 27.]

Thank you, Mr. Chairman. I am open for questions.

[The prepared statement of Mr. Lastowka appears on p. 23.]

Mr. HALL. Thank you, Mr. Lastowka.

H.R. 2379 would permit veterans with Veterans' Group Life Insurance coverage to increase their VGLI coverage once every 5 years in increments up to $25,000.

You mentioned that VA would prefer that each increase be in a single increment of 25,000. Why does VA prefer that the level of VGLI coverage be in those increments?

Mr. LASTOWKA. We prefer that it be in those increments, Mr. Chairman, basically to keep down the administrative costs of the program. If our contractor, Prudential, can administer a simpler program, we believe we can keep the costs down, and that can be accomplished by insurance increases generally being issued in larger amounts rather than smaller amounts.

Mr. HALL. Ms. Carroll noted during her testimony that premiums under VGLI increase every 5 years, unlike commercial policies available to veterans.

Does this legislation then allow VGLI to compete with the private sector? Is it enough, in other words, to bring parity to the VGLI and SGLI programs?

Mr. LASTOWKA. Mr. Chairman, VGLI is very competitive with commercial policies. In commercial insurance where you are selling a 5-year term product, all commercial insurers raise their premiums every 5 years.

There are permanent plans of insurance offered which will have a single premium over the lifetime of the product, but those are generally much more expensive than term insurance.

The concept in today's insurance industry is you buy insurance and you invest the rest. And term policies have become much more popular.

Mr. HALL. What are the participation levels for the VGLI and SGLI programs?

Mr. LASTOWKA. Right now, Mr. Chairman, for SGLI, it is close to 99 percent for active-duty servicemembers. For VGLI, I believe our conversion rate is in the 35 percent area. In the commercial equivalent where people are converting group policies to individual policies, that is generally under 2 percent.

I would like to confirm in writing the 35 percent figure I am giving you because I would not want to give you bad data, sir.

Mr. HALL. Okay. Maybe you could do that, if you would get back to us in writing. Also, include whether you think that there is a disparity between the two, and would more parity between VGLI and SGLI be enough to decrease the attrition rate of SGLI/VGLI transfer.

Mr. LASTOWKA. That is——

Mr. HALL. You can respond to that in writing.

Mr. LASTOWKA [continuing]. That in writing, okay.

[The VA provided the information in the post-hearing questions and responses for the record, which appear on p. 29.]

Mr. HALL. Ms. Carroll also mentioned that the VGLI price tag for a 75-year-old veteran is $20,520 per year.

How could VA reduce this premium price? Would VGLI be more viable and self-sustaining if it had fixed premiums similar to some commercial insurance policies?

Mr. LASTOWKA. Mr. Chairman, if we had a fixed premium, those fixed premiums at the younger age would be much higher. And I believe we would lose participation if we moved to a fixed premium.

Generally, at older ages, insurance needs decrease as children have grown and have completed college already. And the best option at the higher ages is to reduce the amount of coverage which is generally consistent with the insurance needs of most Americans.

Mr. HALL. The VSOs and Veterans Disability Benefits Commission express concerns over VA using a 1941 mortality table.

Is there a reason why that has been continued all these years?

Mr. LASTOWKA. If you were to design a new insurance program, Mr. Chairman, you would not use that table. Introducing it into a program that is now 58 years old becomes much more problematic and generally it is a much higher cost to the government if you would try to change that table at this point in time.

Mr. HALL. Last, I would like to ask—we have more questions, but we will submit them in writing to you and ask you to get back to us—but according to your calculations, what would the cost be of enacting H.R. 2774? Do you have an estimate of that?

Mr. LASTOWKA. H.R. 2774 is the change to the S–DVI Disability Extension?

Mr. HALL. No, H.R. 2774.

Mr. LASTOWKA. We have not finalized—oh, I am sorry, Mr. Chair. We do not believe there would be a cost to the government in doing that. That feature of the extension is already priced into the premiums for SGLI and so it would be no cost.

Mr. HALL. How could or how should the VA use its newly instituted Office of Survivors Assistance, established in Public Law 110–389, in this regard?

Mr. LASTOWKA. Mr. Chairman, first you have to let me brag a little bit about the VA's service to veterans.

Mr. HALL. Go ahead. Yes, sir.

Mr. LASTOWKA. Whenever a servicemember gets out of the service with a service-connected disability of 50 percent or more or if they soon receive a service connection of 50 percent or more by the VA, the insurance program contacts each individual personally. We generally try to do this by telephone and point out to them the advantage of switching to the VGLI.

We have had a very high success rate with close to 100 percent of those rated at 100 percent taking the VGLI coverage and over 60 percent overall. And so we are doing quite a good job.

I think the VA's Office of Survivors Assistance by raising general awareness of what VA benefits are available will further increase those outreach efforts.

Mr. HALL. We thank you. We will submit more questions in writing to you, sir. But thank you for being here today and testifying.

Mr. Hipolit, I am sorry we did not have any questions directly for you.

But also, we would like to thank the Paralyzed Veterans of America for submitting a statement for the record on these important bills.

Thanks to our Members and Ranking Member Lamborn and Minority Counsel and everyone who is here today for your patience and your statements this afternoon. We value your insight and opinions and we will be moving ahead with tweaks, as Mr. Lamborn said, or amendments to some or all of these pieces of legislation and marking them up in the future.

So thank you again, and this hearing stands adjourned.

[Whereupon, at 4:14 p.m., the Subcommittee was adjourned.]

# APPENDIX

## Prepared Statement of Hon. John J. Hall, Chairman, Subcommittee on Disability Assistance and Memorial Affairs

Please rise for the Pledge of Allegiance.

Good Afternoon. Today the Disability Assistance and Memorial Affairs Subcommittee of the House Committee on Veterans' Affairs will address four bills relating to insurance benefits for our veterans and servicemembers, H.R. 2379, H.R. 2713, H.R. 2774, and H.R. 2968.

These measures are all critical and common sense bills intended to ensure that our veterans and their families who have insurance-related needs while they are living receive the full measure of the benefit—and, that their survivors have ample replacement income to meet their needs. Additionally, these bills would allow veterans to make the necessary plans to ensure that their loved ones are provided for adequately and have financial security. All of the bills are relatively non-controversial, would give veterans greater flexibility in their insurance choices, and consequently greater peace of mind. I am happy to have them under consideration today.

Specifically, the Veterans' Group life Insurance Improvement Act of 2009, H.R. 2379, sponsored by Mr. Buyer, would allow veterans to purchase up to $400,000 of VGLI coverage in $25,000 increments every 5 years until the age of 60—giving veterans greater options in their life insurance choices.

The Disabled Veterans Life Insurance Enhancement Act, H.R. 2713, sponsored by Mr. Donnelly, would make long overdue updates and changes to the VA's Service Disabled Veterans' Insurance program, including increasing basic and supplemental coverage amounts and updating the 1941 rate tables.

The Families of Veterans Financial Security Act, H.R. 2774, sponsored by Ms. Halvorson, a freshman Member on this Committee, would make permanent the 2-year extension of the free SGLI coverage period for servicemembers who are totally disabled on the date of their separation from active duty or reserve status.

Last, H.R. 2968, sponsored by Ms. Kirkpatrick, another freshman Member on this Committee, would amend the provision that allows a servicemember with SGLI or a veteran with VGLI who is terminally ill to get half of their SGLI or VGLI coverage while they are alive, by eliminating the discount rate that VA applies to this payment. This bill would make VA policies consistent with the commercial insurance industry and provide significant benefit to servicemembers and veterans by not discounting, hence lowering these payments.

I commend the members for sponsoring these thoughtful measures. I look forward to hearing from all of our witnesses on these bills and I thank you all for being here today.

I now yield to Ranking Member Lamborn for his opening statement.

## Prepared Statement of Hon. Doug Lamborn, Ranking Republican Member, Subcommittee on Disability Assistance and Memorial Affairs

Thank you Mr. Chairman for holding this hearing to discuss the legislation before us.

H.R. 2379, the Veterans Group Life Insurance Improvement Act of 2009, was introduced by full Committee Ranking Member Steve Buyer, and it would increase the amount of life insurance available to veterans.

Veterans Group Life Insurance (VGLI) provides veterans the ability to obtain a competitive life insurance policy for them and their family in post-military life.

Under current law, separating servicemembers have up to 1 year from discharge to convert their Servicemembers Group Life Insurance policies to VGLI, and whatever level of coverage they select at that time is unchangeable.

Many are young and don't see the need to carry a large amount of life insurance coverage.

However, as they get older and acquire families, the need for additional coverage grows.

This bill would allow veterans to purchase up to $400,000 of VGLI coverage in $25,000 increments, every 5 years, until the age of 60.

The costs of such increases in coverage will be offset by premiums veterans pay, so there is no direct cost to the government.

The opportunity to allow our veterans greater flexibility in their life insurance choices, without increasing the burden on taxpayers, leaves little doubt as to whether H.R. 2379 is a worthy measure.

I urge all members to cosponsor and support this legislation.

I thank my colleagues Ms. Halvorson, Ms. Kirkpatrick and Mr. Donnelly for introducing the other measures before us today.

These bills would also make improvements to insurance benefits for veterans and I want to note my support for them.

I thank the chair and the witnesses for their testimony, and I yield back.

**Prepared Statement of Hon. Joe Donnelly,**
**a Representative in Congress from the State of Indiana**

Chairman Hall and Ranking Member Lamborn, thank you for calling this legislative hearing today and I thank you for this opportunity to speak on the need to enhance and update the Service-Disabled Veterans Insurance (S–DVI) program. The life insurance policy offered to disabled veterans is badly out of date and as a result less than 4 percent of eligible veterans participate.

I believe that life insurance speaks directly to President Lincoln's promise—"to care for him who shall have borne the battle and for his widow, and his orphan"—by providing financial assistance to families in the event of a veteran's death. However, Congress must recognize the importance of enhancing and updating life insurance for our service connected disabled veterans and ensure that this policy better provides for the needs of participating veteran's families.

*The Disabled Veterans Life Insurance Enhancement Act* would make long overdue changes to an existing life insurance program that covers veterans with service-connected disabilities. We have a responsibility to care for our veterans and their surviving loved ones, which is why I want to update the outdated life insurance program that currently covers our disabled servicemen and women.

S–DVI was created in 1951 to provide life insurance to disabled veterans who, because of their service-connected disabilities, would be unable to obtain life insurance on the commercial market or would be required to pay especially high premiums. Veterans groups have argued for years that the coverage isn't enough, but efforts to increase the amount have not gained traction in Congress. In their annual independent budget, major veterans groups support the idea of cutting premiums for the insurance and updating the mortality tables. The insurance program started in 1951 but used a 1941 mortality chart to set premiums and, as a result, S–DVI is no longer competitive with commercial insurance.

Currently, S–DVI policies are issued for a maximum face amount of only $10,000, an amount that has not been updated for 58 years. Additionally, the current mortality tables are almost 70 years old. Tables now are based on the assumption that disabled vets die, on average, at age 58, which is no longer true given improvements in medicine, treatment and rehabilitation. Disabled veterans now are expected to live an average of 70 years. As life expectancy has significantly improved over the past sixty years, commercial insurance companies have begun utilizing more up-to-date mortality tables and are therefore able to offer lower premiums. The newest table in general use by the insurance industry has premium rates that are roughly 50 percent lower than the S–DVI rates.

According to the Veterans Service Officer from Elkhart County in my district, Mr Gary Whitehead, "The average burial is about $6,500. If that disabled vet only has $10,000, that doesn't leave much for his loved ones."

Mr. Chairman, veterans expect the same thing each of us do when we pay into a life insurance policy, the promise that when we pass, during that difficult time, our surviving loved ones are not burdened with not only the cost of a dignified memorial and burial, but also other costs, day-to-day expenses, and the fear of how they will provide for themselves in the future. Unfortunately, that opportunity hardly exists with the current structure of S–DVI because the maximum payment is

capped at $10,000 and participating veterans are denied the opportunity to purchase additional coverage through the program.

*The Disabled Veterans Life Insurance Enhancement Act* would enhance the S–DVI by increasing the maximum protection under base policies from $10,000 to $100,000 and offers an open period for eligible service-connected disabled veterans to apply for coverage if they are not currently enrolled in the life insurance program. And while the $10,000 maximum coverage was part of the S–DVI program from its 1951 start, the amount actually has not changed since the government first offered this kind of insurance in 1917. Put in perspective, according to the National Association of Insurance Commissioners, the average face amount of life insurance policies purchased in 2007 was $176,000.

In addition, my legislation would direct the Department of Veterans Affairs to revise its premium schedule to reflect current mortality tables, and it would increase the supplemental coverage for veterans who have been rated 100 percent service-connected disabled from $20,000 to $50,000. This bill has the support of the Disabled American Veterans.

Since the S–DVI program is not a fully self-supporting fund it requires appropriations and therefore subsidies for the S–DVI are expected to increase. Even though there are standard premium rates—there are certain conditions under which those premiums are waived—for example, our 100 percent disabled veteran's base premiums are waived if they apply and are granted supplemental insurance. Keep in mind that these great American veterans have service-connected disabilities and are unable to obtain life insurance due to their condition.

I am aware that expenses for this program will increase, but as the Members of this Committee are aware, we must also increase our commitment to our disabled veterans who paid a hefty price with their service and sacrifice. As a Blue Dog, I am committed to fiscal responsibility, and I understand the necessary hurdles with pay-as-you-go rules. But I am dedicated to pursuing the goal of updating S–DVI, and I seek support of my colleagues in doing something to bring this policy into the 21st century.

Thank you very much for this chance to address the Subcommittee on this very important subject, and I am pleased to answer any questions you may have.

---

**Prepared Statement of Hon. Deborah L. Halvorson, a Representative in Congress from the State of Illinois**

Good afternoon. Chairman Hall: thank you for holding this hearing, Ranking Lamborn and Members of the Subcommittee: thank you for allowing me some time to speak.

I am excited to be here to discuss H.R. 2774, the "Families of Veterans Financial Security Act". H.R. 2774 would make permanent the extension that totally disabled veterans currently receive from the Servicemembers' Group Life Insurance (SGLI).

SGLI is operated by the Department of Veterans Affairs and provides low cost group life insurance to members of the Uniformed Services. It was originally developed to make insurance benefits available for veterans and servicemembers who weren't able to secure insurance from private companies due to the extra risks involved in military service, or because of a service connected disability.

Currently, the SGLI Disability Extension allows servicemembers who are totally disabled at the time they are discharged to retain their SGLI coverage at no cost for up to 2 years. This extension has guaranteed that the veterans that are in most need, the ones that are seriously disabled as a result of their service, are fully covered under the SGLI program and won't lose their life insurance coverage. It has given military families the peace of mind that their financial security is still strong, so they can worry about their loved ones, and not the worst case scenario.

Furthermore, the extension has provided additional time for VA to contact veterans and assist them with making informed decisions about what life insurance options are available after the SGLI program is no longer available to them.

Unfortunately, the SGLI extension is set to expire—potentially costing disabled veterans thousands of dollars. If allowed to expire, the extension would fall to only 18 months of coverage, opposed to the 24 that veterans currently receive.

H.R. 2774 would make permanent the 24 month extension and allow veterans to continue to focus on what's most important, their rehabilitation and recovery. My bill maximizes the opportunity for disabled veterans, who have limited or no opportunity of obtaining commercial insurance, to obtain insurance coverage. Insurance coverage that will provide financial security to the families of our wounded warriors.

There is no cost to the government that is associated with this legislation as the SGLI program will assume all costs.

Thank you, Mr. Chairman and Members of the Subcommittee. I would be happy to address any questions you may have for me.

**Prepared Statement of Hon. Ann Kirkpatrick,**
**a Representative in Congress from the State of Arizona**

Thank you Chairman Hall and Ranking Member Lamborn for the opportunity to address the Subcommittee on my bill—H.R. 2968, the VGLI/SGLI Accelerated Benefits Option Equity Act of 2009.

I introduced this bill with Republican Walter Jones of North Carolina to do just one thing: to make the group life insurance offered to Veterans and servicemembers both fairer and more consistent with commercial life insurance.

Under both Veterans Group Life Insurance and Servicemembers Group Life Insurance, when a Veteran or servicemember is terminally ill, they can elect to receive up to half of their coverage while they are still alive. They can use this accelerated benefits option (ABO) to pay medical bills, improve their quality of life, or in any way they see fit.

However, current regulation requires VGLI and SGLI to decrease the payout these Veterans and servicemembers collect by a percentage based on prevailing interest rates. In recent years, this has amounted to a decrease of as much as $6,000.

By contrast, most commercial life insurance policies that allow ABO withdrawals do not decrease this payout to claimants.

We can and must do better.

This simple, common sense, bi-partisan bill removes this deduction, so that we might better serve terminally ill Veterans and servicemembers at the most financially vulnerable time for them and their families.

Removing this deduction can be accomplished using the life insurance premiums Veterans and servicemembers currently pay. This means that we can accomplish this important change without any additional cost to Veterans, servicemembers, or taxpayers, and without PAYGO implications.

Mister Chairman and Ranking Member Lamborn, thank you again for the opportunity to speak about H.R. 2968 and thank you for your leadership. I stand ready to answer your questions.

**Prepared Statement of Bonnie Carroll,**
**Chairman and Executive Director,**
**Tragedy Assistance Program for Survivors, Inc., Washington, DC**

Mr. Chairman and distinguished Members of the Subcommittee:

On behalf of the Tragedy Assistance Program for Survivors (TAPS) and the families of those who have died while serving in the Armed Forces, I am honored to have this opportunity to speak about H.R. 2379, *the Veterans' Group Life Insurance Improvement Act of 2009;* H.R. 2713, *the Disabled Veterans Life Insurance Enhancement Act;* and H.R. 2774, *the Families of Veterans Financial Security Act,* all of which address very important insurance issues to veterans and their families.

Thank you for the compassionate care this Committee has given our veterans and the surviving military families of our fallen warriors. Through your vigilance and prompt action on key legislation, you have ensured America is honoring those who have served and sacrificed for freedom.

When a servicemember joins the military community, not only does the member become part of the Armed Forces, but so does their family. If they are killed, the grieving spouse thus loses twice: her immediate loss of life partner, and also the extended military family and way of life which they have shared, regardless of the circumstances surrounding the death, whether in combat or in a peacetime duty status. It is the duty of all of us to ensure that they are well cared for.

As the widow of a soldier killed in the Army National Guard, a Reserve commander who lost two of my airmen, Chief of Casualty Operations at HQ USAF Casualty Affairs, White House Liaison for the Department of Veterans Affairs, a Department of the Army civilian serving in Iraq, a member of the Department of Veterans' Affairs Advisory Committee on Disability Compensation and as the Executive Director of TAPS, I have seen the best of the services provided to our surviving families both in the public and private sectors. It is a privilege to offer my insight today.

**H.R. 2379 *The Veterans' Group Life Insurance Improvement Act of 2009***

H.R. 2379, The Veterans' Group Life Insurance Improvement Act of 2009, brings parity to the Veterans' Group Life Insurance (VGLI), matching the maximum benefit from the Serviceman's Group Life Insurance (SGLI) of $400,000 from which they are transferring this important benefit upon leaving military service and transitioning to veteran status. This is an important change to the VGLI because it gives additional flexibility to the veterans and increases their ability to provide for their families. Unlike some commercial policies available to military retirees that hold a fixed premium over the course of the policy, the premium for VGLI increases every 5 years. The Committee should take note that VGLI is expensive; the premium to be paid for VGLI should a veteran reach age 75 and still wish to maintain their VGLI coverage would be $20,520 per year.[1]

**H.R. 2713** ***The Disabled Veterans Life Insurance Enhancement Act***

In discussing H.R. 2713, I would like to begin by thanking Rep. Donnelly not only for his work on this legislation and his continued care for our Nation's warriors, but also recognize the tremendous support he has given one of our TAPS survivors, Nicholle McLochlin, and her children. Nicholle lost her husband, Sergeant Major Jeffrey McLochlin, a soldier in the Indiana Army National Guard and an Indiana State Trooper, on July 5, 2006, in Afghanistan. Your personal involvement in this family's tragedy has been a comfort to them, and we thank you for that.

It is surviving family members and caregivers like Nicholle who deserve the best care our Nation can offer. As it currently stands, the Service-Disabled Veterans' Insurance (SDVI), which offers a benefit to those who survive the death of a service-disabled veteran, is outdated and in dire need of improvement. The changes proposed in H.R. 2713, the Disabled Veterans Life Insurance Enhancement Act, to SDVI include the following: increasing the maximum protection offered to $100,000; increasing the supplemental for totally disabled veterans to $50,000; providing an open enrollment season of 2 years for eligible veterans; and premiums based on current mortality tables. We support these improvements.

As noted in *Honoring the Call to Duty: Veterans' Disability Benefits in the 21st Century,* "Congress explicitly intended to have SDVI premiums hover close to the private sector's premiums for nondisabled individuals." The current $10,000 limit is far from the 2007 average life insurance policy of $176,000[2]. Today, $10,000 barely covers the cost of the average funeral. By increasing the life insurance maximum to $100,000 veterans are better able to provide financial support for their families after their death.

When SDVI was created in 1951, it based premiums on a mortality chart that was already a decade old. In the years following, the premiums have not been readjusted to incorporate changes in life expectancy, making premiums unnecessarily high for our veterans. We support these adjustments.

**H.R. 2774** ***The Families of Veterans Financial Security Act***

The Families of Veterans Financial Security Act, which increases the time after separation from active duty from eighteen months to 2 years during which a servicemember can receive Servicemembers' Group Life Insurance (SGLI) coverage, is an important improvement to SGLI. TAPS supports this legislation and applauds the Committee's compassionate understanding of the challenges facing service-disabled veterans and their families during this critical time.

To adapt from Ghandi, the greatness of a nation and its moral progress can be judged by the way its veterans, and those who survive them, are treated. Today's hearing, and the legislation proposed, make strides toward improving the financial security of the surviving family members of our warriors.

On behalf of the families of our fallen heroes and TAPS, I appreciate the dedication and commitment of the distinguished Members of the Subcommittee to protect, defend, restore, and improve the services provided to those who have served our Nation in peace and war and their families. Thank you for the opportunity to submit testimony on behalf of the surviving families of TAPS.

## Prepared Statement of John Wilson, Associate National Legislative Director, Disabled American Veterans

Mr. Chairman and Members of the Subcommittee:

I am pleased to submit the views of the Disabled American Veterans (DAV) on the various bills under consideration today. In accordance with its congressional charter, the DAV's legislative mission is focused on benefits and services provided

[1] Veterans' Group Life Insurance Rate Chart, SGL–75 Ed. 07/2008 106–430–0508–200M

[2] The National Association of Insurance Commissioners

to veterans because of service-connected disabilities. We are therefore, pleased to support the bills insofar as they fall within that scope.

**H.R. 2713**

The "Disabled Veterans Life Insurance Enhancement Act" (H.R. 2713) would amend title 38, United States Code, to make certain improvements in the service-disabled veterans' insurance program of the Department of Veterans Affairs. Specifically, this bill would provide for a 2-year period beginning on the date of its enactment during which a qualified veteran may submit an application for insurance, despite that fact that such claimant's time limit for filing an application for service-disabled insurance may have expired under current law.

Further, H.R. 2713 would also increase the maximum amount of protection from $10,000 to $100,000, and would increase the supplemental insurance for totally disabled veterans from $20,000 to $50,000. Finally, the bill would replace the "Commissioner's 1941 Standard Ordinary Table of Mortality" with an "appropriate and current mortality table as selected by the Secretary."

The four veterans service organizations who coauthored T*he Independent Budget (IB)*, have consistently stood behind the need to lower the premium schedule for Service-Disabled Veterans' Insurance (SDVI), specifically advocating that the VA be authorized to charge lower premiums for SDVI policies based on improved life expectancy under current mortality tables. Because of service-connected disabilities, disabled veterans have difficulty getting, or are charged, higher premiums for life insurance on the commercial market, Congress created the SDVI program to furnish disabled veterans life insurance at standard rates. When this program began in 1951, its rates, based on mortality tables then in use, were competitive with commercial insurance. Commercial rates have since been lowered to reflect improved life expectancy shown by current mortality tables. However, the VA has continued to base its rates on mortality tables from 1941. Consequently, SDVI premiums are no longer competitive with commercial insurance and therefore, no longer provide the intended benefit for eligible veterans.

The current $10,000 maximum for life insurance under SDVI does not adequately provide for the needs of survivors. When life insurance for veterans had its beginnings in the War Risk Insurance program, first made available to members of the armed forces in October 1917, coverage was limited to $10,000. At that time, the law authorized an annual salary of $5,000 for the director of the Bureau of War Risk Insurance. Obviously, the average annual wages of servicemembers in 1917 was considerably less than $5,000. A $10,000 life insurance policy provided sufficiently for the loss of income from the death of an insured in 1917.

Today, more than 88 years later, maximum coverage under the base SDVI policy is still $10,000. Given that the annual cost of living is many times what it was in 1917, the same maximum coverage, well more than three-quarters of a century later, clearly does not provide meaningful income replacement for the survivors of service-disabled veterans. A May 2001 report from an SDVI program evaluation conducted for VA recommended that basic SDVI coverage be increased to $50,000 maximum. *The Independent Budget* veterans' service organizations (IBVSOs) recommended that the maximum protection available under SDVI be increased to at least $50,000. This bill mandates a maximum of $100,000 in coverage.

The DAV has carried forward resolutions at our National conventions on this same subject for years. This year, the issue is addressed in Resolution No. 102, which seeks to increase the face value of service-disabled veterans' insurance for eligible veterans suffering from a disability or disabilities for which a compensable rating would be payable.

Since this legislation does not modify the waiver of premiums for totally disabled veterans, it is also in agreement with DAV's Resolution No. 103, which supports legislation to provide for waiver of premiums for supplemental service-disabled veterans' insurance. This legislation also coincides with Resolution No. 136, in that it seeks to reduce premiums for service-disabled veterans' insurance consistent with current life expectancy based on updated mortality tables.

We would however, propose two amendments for the Subcommittees' consideration. First, we would suggest the legislation be modified to provide for open-ended period for veterans to apply for service-disabled veterans' insurance, which is consistent with DAV's Resolution No. 016. Under the current program, service-connected disabled veterans are entitled to apply for SDVI within 2 years from the date the VA grants service-connection for any disability. Many eligible veterans, due to financial difficulties and problems associated with readjustment to civilian life, did not apply for this insurance within the 2-year eligibility period. Many of these service-connected disabled veterans are now prepared and can afford to purchase this

insurance, but are not able to purchase comparable insurance coverage in the private sector. Precedent has been established to extend previously closed "eligibility periods" for certain other VA benefits and services, including insurance. The DAV seeks the enactment of legislation that would authorize an "open period" for eligible service connected disabled veterans to apply for coverage under the Service-Disabled Veterans' Insurance Program.

Second, we would suggest legislative language be restructured to allow veterans to choose the amounts of SDVI coverage they wish, in increments of $10,000 up to the $100,000 amount. This level of flexibility would allow them to structure the insurance coverage that best suits their financial and personnel needs.

Given the aforementioned references in *The IB* and DAV's resolutions on this subject, we fully support this long overdue and beneficial legislation. We also extend our appreciation to Mr. Donnelly for constructing this important legislation that, if adopted, will ease the burden faced by so many that up until now, had no prospect for adequately providing for their families. We also applaud the efforts of every Member of this Subcommittee for their advocacy in this critical area.

**H.R. 2379**

The "Veterans Group Life Insurance Improvement Act of 2009" (H.R. 2379) would provide certain veterans an opportunity to increase the amount of Veterans' Group Life Insurance (VGLI). This legislation a VGLI recipient to request in writing, not more the once in each 5-year period, an increase in the amount of VGLI as long as the applicant is under the age of 60 and the requested increase is not more than $25,000. The DAV has no resolution on this issue; however, we have no opposition to its favorable consideration.

**H.R. 2774**

The "Families of Veterans Financial Security Act" (H.R. 2774) would permanently extend the duration of Servicemembers' Group Life Insurance (SGLI) coverage for totally disabled veterans. The DAV has no resolution on this issue; however, we have no opposition to its favorable consideration.

**H.R. 2968**

This legislation (H.R. 2968) would limit the required reduction in the amount of the accelerated death benefit payable to certain terminally ill persons insured under Servicemembers' Group Life Insurance or Veterans' Group Life Insurance. The DAV has no resolution on this issue; however, we have no opposition to its favorable consideration.

**Conclusion**

We hope the Committee will review these recommendations and give them consideration for inclusion in The "Disabled Veterans Life Insurance Enhancement Act" (H.R. 2713). Mr. Chairman, thank you for inviting the DAV to testify before you today.

---

**Prepared Statement of Thomas M. Lastowka,**
**Director, Philadelphia Regional Office and Insurance Center,**
**Veterans Benefits Administration, U.S. Department of Veterans Affairs**

Mr. Chairman and Members of the Subcommittee, I am pleased to be here today to provide the Department of Veterans Affairs' (VA) views on three bills and one draft bill that would affect VA's insurance programs.

**H.R. 2379**

Veterans' Group Life Insurance (VGLI), established in 1974, permits the conversion of Servicemembers' Group Life Insurance (SGLI) coverage to a lifetime renewable term policy of insurance protection after a servicemember separates from service. Under current law, the amount of VGLI coverage available is limited to the amount of SGLI coverage a servicemember had when the member separated from service. This means that veterans, many of whom are disabled, who separated from service in past years when the maximum SGLI coverage was considerably less than the $400,000 it currently is, cannot increase their VGLI coverage to meet their families' current needs.

H.R. 2379, the "Veterans' Group Life Insurance Improvement Act of 2009," would permit VGLI-insured veterans, including those with service-connected disabilities, to increase their VGLI coverage once every 5 years beginning on the date of commencement of their VGLI coverage, in increments up to $25,000, until they reach the age of 60. VA would prefer that each increase be in a single increment of $25,000. The maximum amount of coverage available would be the current maximum SGLI amount, $400,000, regardless of what the maximum SGLI amount was when the veteran separated from service.

VA strongly supports H.R. 2379. It would permit VGLI-insured veterans, including service-disabled veterans, to purchase amounts of life insurance adequate to protect their families. It would also help VGLI maintain a competitive level of coverage. Ninety-six percent of veterans insured under VGLI have less than $400,000 in coverage and, therefore, could potentially benefit from this change. VGLI policyholders have for several years expressed an interest through inquiries to VA, as well as customer surveys, in increasing their coverage. The bill would introduce much-needed flexibility to the program by enabling VGLI insureds to purchase more life insurance as their needs change.

There would be no mandatory cost to the government from enactment of H.R. 2379. Any cost of the optional increase in coverage would be offset by the premiums paid by the veterans who choose to buy extra VGLI coverage. Hence, VA strongly supports its enactment.

**H.R. 2713**

Service Disabled Veterans' Insurance (SDVI) is available to veterans with a service-connected disability that would be compensable if rated at 10 percent or higher who apply within 2 years from the date on which VA notifies them that their disability is service connected. SDVI provides up to $10,000 in coverage, as either a permanent or term insurance plan, and premiums are based the Commissioners 1941 Standard Ordinary Table of Mortality. SDVI insureds who are totally disabled before reaching age 65 may have their premium payments waived on the basic SDVI coverage of $10,000. Waiver of premiums permits them to apply for additional insurance, Supplemental SDVI, for which the maximum coverage amount is $20,000. However, premiums cannot be waived on the supplemental coverage.

H.R. 2713, the "Disabled Veterans Life Insurance Enhancement Act," would make several changes to the program. It would provide a 2-year open season, beginning on the date of enactment, during which certain veterans who did not submit a SDVI application and pay premiums within the current 2-year statutory application period could obtain SDVI by applying for it and paying premiums. The veterans eligible for this open season would be veterans who are otherwise eligible for SDVI but failed to apply or pay premiums during the 2-year period beginning when VA notified them of the service connection of their disabilities.

The bill would also require that SDVI premiums be based on "an appropriate and current mortality table selected by the Secretary" rather than the 1941 mortality table, increase the maximum amount of SDVI to $100,000, and increase the maximum amount of Supplemental SDVI to $50,000. These changes would apply to insurance policies issued on or after the date of enactment.

Although the VA Insurance Service wishes to honor and aid all veterans, especially disabled veterans who have lost access to commercial insurance due to their service, oppose H.R. 2713 because it would go far beyond the appropriate and legitimate policy goals normally associated with VA life insurance programs. It would create a new and expensive program offering insurance policies far beyond what is normally available to average Americans. Under the bill, many elderly veterans who are now totally disabled would be eligible for free SDVI coverage, as well as $50,000 of Supplemental SDVI, even though they did not obtain life insurance at a younger age when they were insurable and when most people purchase life insurance. Because a disproportionate number of SDVI insureds would be veterans who are in poor health, the cost of the SDVI program would be greatly increased. Furthermore, although VA did not have sufficient time to finalize our cost estimates, we are confident that mandatory costs associated with enactment of H.R. 2713 would be in the billions of dollars. With your permission, Mr. Chairman, we would like to submit our finalized estimates in writing for the record.

**H.R. 2774**

The SGLI program provides low-cost term insurance protection for active duty servicemembers and eligible reservists. Under current law, totally disabled servicemembers are entitled to free SGLI coverage for a period of 2 years after they separate from active duty or reserve status, provided they separate from service before

October 1, 2011. For totally disabled servicemembers who separate after that date, coverage will extend for only 18 months after separation.

H.R. 2774, the "Families of Veterans Financial Security Act," would eliminate the sunset date for the period of extended coverage. Totally disabled servicemembers separating after September 30, 2011, would be entitled to a 2-year extension of free SGLI coverage.

VA supports H.R. 2774. The bill would eliminate an inequity for totally disabled SGLI insureds discharged after September 30, 2011. It would also guarantee that the servicemembers who are most seriously disabled when separated or released would have life insurance coverage during a period when they are likely undergoing medical treatment and rehabilitation. This bill would provide financial reassurance to disabled servicemembers and their families.

Any costs associated with enactment of H.R. 2774 would be absorbed by the SGLI fund.

**Draft Bill to Eliminate Interest Deduction from Accelerated Benefit Payment**

Under current law, an accelerated benefit is available under SGLI and VGLI. The one-time accelerated benefit payable to a terminally ill SGLI or VGLI insured is the amount requested by the insured, up to 50 percent of his or her insurance coverage, minus an interest deduction, which is the amount that the Office of Servicemembers' Group Life Insurance actuarially determines to be the amount of interest lost due to early payment of the insurance proceeds. This draft bill would eliminate the interest deduction for accelerated benefit payments made after the date of enactment of the bill.

VA supports the draft bill because it would provide additional financial resources to terminally ill insureds and their families at a critical time when they are most likely in need of financial assistance. Eliminating the interest deduction would also be consistent with the accelerated benefit offered in the commercial insurance industry.

Any costs associated with enactment of the draft bill would be absorbed by the SGLI or VGLI fund.

**Statement of Hon. Steve Buyer,**
**a Representative in Congress from the State of Indiana**

Mr. Chairman, I appreciate the opportunity to discuss H.R. 2379 the Veterans Group Life Insurance Improvement Act of 2009, which would increase the amount of life insurance available to veterans.

Veterans Group Life Insurance (VGLI), administered by the Department of Veterans Affairs (VA), provides veterans the opportunity to convert their active duty Servicemembers Group Life Insurance (SGLI) coverage to a competitive life insurance product for them and their family in post-military life.

Under current law, veterans have up to 1 year to convert the amount of SGLI coverage they carry to VGLI, and the amount they select cannot be altered. Many separating servicemembers are young and don't see the need to carry a large amount of life insurance coverage; however, as they grow older and have a family, many of them require additional coverage.

The Veterans' Group Life Insurance Improvement Act of 2009 allows veterans to purchase up to $400,000 of VGLI coverage in $25,000 increments, every 5 years, until the age of 60. The costs of such increases would be offset by premiums veterans pay, so there is no direct cost to the government. This bill gives our veterans greater flexibility in their life insurance choices and I urge all members to cosponsor and support this legislation. I thank the chair and I yield back.

**Statement of Paralyzed Veterans of America**

Mr. Chairman and Members of the Subcommittee, on behalf of Paralyzed Veterans of America (PVA), we would like to thank you for the opportunity to submit a statement for the record regarding the proposed legislation. We appreciate the fact that you continue to address the broadest range of issues with the intention of improving benefits for veterans. We particularly support any focus placed on meeting the complex needs of the newest generation of veterans, even as we continue to improve services for those who have served in the past.

**H.R. 2713, the "Disabled Veterans Life Insurance Enhancement Act"**

Paralyzed Veterans of America supports H.R. 2713, a bill to amend title 38, United States Code, to create certain improvements in the service-disabled veterans' insurance program under the Department of Veterans Affairs. This bill would provide for a 2 year period beginning on the date of its enactment which a qualified veteran may submit an application for insurance, regardless of the fact the claimant's time limit may have expired for filing an application for service-disabled insurance under current law.

Additionally, H.R. 2713 would also increase the maximum amount of protection from $10,000 to $100,000, and would increase the supplemental insurance for totally disabled veterans from $20,000 to $50,000. PVA would like to recommend adding open enrollment to the supplemental insurance as stated in the regular insurance protection plan. This would create an equal opportunity for both disabled veterans and regular applicants.

**H.R. 2379, the "Veterans Group Life Insurance Improvements Act of 2009"**

Paralyzed Veterans of America supports H.R. 2379, the "Veterans Group Life Insurance Improvements Act of 2009." This legislation would provide certain veterans an opportunity to increase the amount of Veterans' Group Life Insurance (VGLI). The VGLI recipient requests an increase, in writing, of no more than $25,000 in the amount of VGLI, and as long as the applicant is under 60 years of age.

**H.R. 2774, the "Families of Veterans Financial Security Act of 2009"**

PVA supports H.R. 2774, the "Families of Veterans Financial Security Act of 2009." This legislation would permanently extend the period of Servicemembers' Group Life Insurance (SGLI) coverage for totally disabled veterans. PVA is an advocate of disabled veterans and applauds the extended period of 2 years after the date of separation for servicemembers on active duty or active duty for training on or after June 15, 2005.

**H.R. 2968**

PVA supports H.R. 2968, to amend Title 38, United States Code, to eliminate the required reduction in the amount of the accelerated death benefit payable to certain terminally ill persons insured under Servicemembers' Group Life Insurance or Veterans' Group Life Insurance. PVA views this bill as a benefit to severely ill servicemembers by taking away the current method of calculation and adding a set payout rate.

**MATERIAL SUBMITTED FOR THE RECORD**

Committee on Veterans' Affairs
Subcommittee on Disability Assistance and Memorial Affairs
Washington, DC.
*July 15, 2009*

Bonnie Carroll
Chairman and Executive Director
Tragedy Assistance Program for Survivors
1777 F Street, NW, 6th Floor
Washington, DC 20006

Dear Ms. Carroll:

Thank you for testifying at the House Committee on Veterans' Affairs' Subcommittee on Disability Assistance and Memorial Affairs legislative hearing on H.R. 2379, H.R. 2713, H.R. 2774 and H.R. 2968, held on June 24, 2009. I would greatly appreciate if you would provide answers to the enclosed follow-up hearing questions by Monday, August 17, 2009.

In an effort to reduce printing costs, the Committee on Veterans' Affairs, in cooperation with the Joint Committee on Printing, is implementing some formatting changes for material for all Full Committee and subcommittee hearings. Therefore, it would be appreciated if you could provide your answers consecutively on letter size paper, single-spaced. In addition, please restate the question in its entirety before the answer.

Due to the delay in receiving mail, please provide your responses to Ms. Megan Williams by fax at (202) 225–2034. If you have any questions, please call (202) 225–3608.

Sincerely,

John J. Hall
Chairman

---

Tragedy Assistance Program for Survivors
Washington, DC.
*August 20, 2009*

Hon. John J. Hall
Chairman, Subcommittee on Disability and Memorial Affairs
335 Cannon House Office Building
Washington, DC 20515

Dear Mr. Chairman,

Thank you for the opportunity to address questions from the Department of Veterans Affairs following my testimony before your Subcommittee on June 24, 2009. The following are my responses to questions received on July 15, 2009.

**Question 1:** How involved are spouses in selecting a VA insurance benefit? Is there any VA requirement to notify them about available benefits and inform them of their beneficiary status?

**Answer:** I respectfully defer the response to those at the VA who set the requirements, with encouragement to fully inform both veteran and spouse/beneficiary of the benefits to which they are eligible.

**Question 2:** The VA disagreed with the position you took regarding increases to premiums every 5 years and the impact this has particularly on older veterans. Do you have a response to VA's contention that their program is competitive with the private sector and that older veterans have more income so can better afford the premiums than younger veterans?

**Answer:** According to the VA Web site (www.insurance.va.gov) and VA form SGL–75 Ed. 07/2008 106430–0508–200M, premiums for the Veterans Group Life Insurance increase in cost at age 30, 35, 40, 45, 50, 55, 60, 65, 70, and 75. These appear to be 5-year increments, at which time premium costs rise significantly. For instance, $400K coverage costs $88 a month at age 45, the age at which a veteran may leave the service after a 20-year career. Five years later, at age 50, the veteran has a 64-percent increase in premium to $144 a month. Another five years later, now at age 55, the veteran experiences an increase of 86 percent to $268. The total

increase from what the veteran pays at age 45 and what the veteran would pay at age 55 is a 205-percent increase in premium payments.

The following is a comparison with an insurance policy commonly selected by veterans, both of which go up every 5 years:

- VGLI: 45 yr old, non smoker, 5 yr renewable term is $88.00 per month or $1,056 per year.
- AAFMAA: 45 yr old, non smoker, 5 yr renewable term is $45.90 per month or $550.80 per year.

For further comparison, the following are the monthly rates for 20 or 30 year level term policies:

- Navy Mutual Aid: $400k, 20 year term policy rate: $52.20 per month—Rates stay the same thru the 30 yrs
- ING: $400K, 30 YR TERM, $72 per month—Rates stay the same thru the 30 yrs
- Prudential: $400K, 30 YR TERM, $76, Rates stay the same thru the 30 yrs
- Transamerica: $400K, 30 YR TERM, $82, Rates stay the same thru the 30 yrs

Regarding older veterans having more income and therefore being better able to afford higher premiums, I would offer that our Nation's veterans deserve the very best life insurance options at the most competitive rates possible.

Respectfully,

Bonnie Carroll

UNITED STATES
DEPARTMENT OF VETERANS AFFAIRS

Search All VA Web Pages
Search
» Open Advanced Search

VA Home | About VA | Organizations | Apply Online | Locations | Contact VA

- Benefits Home
- Life Insurance Home
- Servicemembers' & Veterans' Group Life Insurance Home
- SGLI
- VGLI
- VGLI Online Access
- Family SGLI
- Traumatic Injury Protection
- Policy Conversion
- Accelerated Benefits Option
- Beneficiary Financial Counseling Service
- Find a Form
- Contact OSGLI
- Insurance Publications & Handbooks
- Insurance Tools
- Legislation
- All SGLI/VGLI Topics

LIFE INSURANCE

## Servicemembers' & Veterans' Group Life Insurance

### New VGLI Premium Rates

As of July 1, 2008, VGLI premium rates were reduced for those ages 30 to 64, which comprise 85 percent of those insured under the program. Follow this link to Read more about the rate decrease.

### Current Monthly Premium Rates Effective July 1, 2008

Follow this link to download the VGLI premium rate chart, which lists monthly, quarterly semannual and annual premium rates at all ages.

| Amount of Insurance | Age 29 & Below | Age 30-34 | Age 35-39 | Age 40-44 | Age 45-49 | Age 50-54 | Age 55-59 | Age 60-64 | Age 65-69 | Age 70-74 | Age 75 & Over |
|---|---|---|---|---|---|---|---|---|---|---|---|
| $400,000 | $32.00 | $40.00 | $52.00 | $68.00 | $88.00 | $144.00 | $268.00 | $432.00 | $600.00 | $900.00 | $1,800.00 |
| 390,000 | 31.20 | 39.00 | 50.70 | 66.30 | 85.80 | 140.40 | 261.30 | 421.20 | 585.00 | 877.50 | 1,755.00 |
| 380,000 | 30.40 | 38.00 | 49.40 | 64.60 | 83.60 | 136.80 | 254.60 | 410.40 | 570.00 | 855.00 | 1,710.00 |
| 370,000 | 29.60 | 37.00 | 48.10 | 62.90 | 81.40 | 133.20 | 247.90 | 399.60 | 555.00 | 832.50 | 1,665.00 |
| 360,000 | 28.80 | 36.00 | 46.80 | 61.20 | 79.20 | 129.60 | 241.20 | 388.80 | 540.00 | 810.00 | 1,620.00 |
| 350,000 | 28.00 | 35.00 | 45.50 | 59.50 | 77.00 | 126.00 | 234.50 | 378.00 | 525.00 | 787.50 | 1,575.00 |
| 340,000 | 27.20 | 34.00 | 44.20 | 57.80 | 74.80 | 122.40 | 227.80 | 367.20 | 510.00 | 765.00 | 1,530.00 |
| 330,000 | 26.40 | 33.00 | 42.90 | 56.10 | 72.60 | 118.80 | 221.10 | 356.40 | 495.00 | 742.50 | 1,485.00 |
| 320,000 | 25.60 | 32.00 | 41.60 | 54.40 | 70.40 | 115.20 | 214.40 | 345.60 | 480.00 | 720.00 | 1,440.00 |
| 310,000 | 24.80 | 31.00 | 40.30 | 52.70 | 68.20 | 111.60 | 207.70 | 334.80 | 465.00 | 697.50 | 1,395.00 |
| 300,000 | 24.00 | 30.00 | 39.00 | 51.00 | 66.00 | 108.00 | 201.00 | 324.00 | 450.00 | 675.00 | 1,350.00 |
| 290,000 | 23.20 | 29.00 | 37.70 | 49.30 | 63.80 | 104.40 | 194.30 | 313.20 | 435.00 | 652.50 | 1,305.00 |
| 280,000 | 22.40 | 28.00 | 36.40 | 47.60 | 61.60 | 100.80 | 187.60 | 302.40 | 420.00 | 630.00 | 1,260.00 |
| 270,000 | 21.60 | 27.00 | 35.10 | 45.90 | 59.40 | 97.20 | 180.90 | 291.60 | 405.00 | 607.50 | 1,215.00 |
| 260,000 | 20.80 | 26.00 | 33.80 | 44.20 | 57.20 | 93.60 | 174.20 | 280.80 | 390.00 | 585.00 | 1,170.00 |
| 250,000 | 20.00 | 25.00 | 32.50 | 42.50 | 55.00 | 90.00 | 167.50 | 270.00 | 375.00 | 562.50 | 1,125.00 |
| 240,000 | 19.20 | 24.00 | 31.20 | 40.80 | 52.80 | 86.40 | 160.80 | 259.20 | 360.00 | 540.00 | 1,080.00 |
| 230,000 | 18.40 | 23.00 | 29.90 | 39.10 | 50.60 | 82.80 | 154.10 | 248.40 | 345.00 | 517.50 | 1,035.00 |
| 220,000 | 17.60 | 22.00 | 28.60 | 37.40 | 48.40 | 79.20 | 147.40 | 237.60 | 330.00 | 495.00 | 990.00 |
| 210,000 | 16.80 | 21.00 | 27.30 | 35.70 | 46.20 | 75.60 | 140.70 | 226.80 | 315.00 | 472.50 | 945.00 |
| 200,000 | 16.00 | 20.00 | 26.00 | 34.00 | 44.00 | 72.00 | 134.00 | 216.00 | 300.00 | 450.00 | 900.00 |
| 190,000 | 15.20 | 19.00 | 24.70 | 32.30 | 41.80 | 68.40 | 127.30 | 205.20 | 285.00 | 427.50 | 855.00 |
| 180,000 | 14.40 | 18.00 | 23.40 | 30.60 | 39.60 | 64.80 | 120.60 | 194.40 | 270.00 | 405.00 | 810.00 |
| 170,000 | 13.60 | 17.00 | 22.10 | 28.90 | 37.40 | 61.20 | 113.90 | 183.60 | 255.00 | 382.50 | 765.00 |
| 160,000 | 12.80 | 16.00 | 20.80 | 27.20 | 35.20 | 57.60 | 107.20 | 172.80 | 240.00 | 360.00 | 720.00 |
| 150,000 | 12.00 | 15.00 | 19.50 | 25.50 | 33.00 | 54.00 | 100.50 | 162.00 | 225.00 | 337.50 | 675.00 |
| 140,000 | 11.20 | 14.00 | 18.20 | 23.80 | 30.80 | 50.40 | 93.80 | 151.20 | 210.00 | 315.00 | 630.00 |
| 130,000 | 10.40 | 13.00 | 16.90 | 22.10 | 28.60 | 46.80 | 87.10 | 140.40 | 195.00 | 292.50 | 585.00 |

Committee on Veterans' Affairs
Subcommittee on Disability Assistance and Memorial Affairs
Washington, DC.
*July 15, 2009*

Thomas M. Lastowka
Director, Philadelphia Regional Office and Insurance Center
U.S. Department of Veterans Affairs
810 Vermont Ave., NW
Washington, DC 20420

Dear Mr. Lastowka:

Thank you for testifying at the House Committee on Veterans' Affairs' Subcommittee on Disability Assistance and Memorial Affairs legislative hearing on H.R. 2379, H.R. 2713, H.R. 2774 and H.R. 2968, held on June 24, 2009. I would greatly

appreciate if you would provide answers to the enclosed follow-up hearing questions by Monday, August 17, 2009.

In an effort to reduce printing costs, the Committee on Veterans' Affairs, in cooperation with the Joint Committee on Printing, is implementing some formatting changes for material for all full Committee and Subcommittee hearings. Therefore, it would be appreciated if you could provide your answers consecutively on letter size paper, single-spaced. In addition, please restate the question in its entirety before the answer.

Due to the delay in receiving mail, please provide your responses to Ms. Megan Williams by fax at (202) 225–2034. If you have any questions, please call (202) 225–3608.

Sincerely,

John J. Hall
Chairman

---

**Questions for the Record**
**The Honorable John J. Hall, Chairman**
**Subcommittee on Disability Assistance and Memorial Affairs**
**House Committee on Veterans' Affairs**
**June 24, 2009**
**Legislative Hearing on H.R. 2379, H.R. 2713, H.R. 2774, and H.R. 2968**

**Question 1:** Do increments up to $25,000 give veterans enough flexibility, or would the ability to select smaller increments work better for the veteran? What challenges might this approach present for the VA Insurance Center?

**Response:** We believe the $25,000 increment provides adequate flexibility for Veterans. Typically, Veterans do not purchase Veterans group life insurance (VGLI) in increments smaller than $25,000. The insurance industry generally does not offer supplemental insurance in smaller increments because purchasers generally opt for larger amounts. Implementation and administration costs would be significantly higher if multiple increments were available. Communicating a single amount of coverage and a single rate will help Veterans understand and take advantage of the benefit.

Another factor is premium cost. The monthly premium for the $25,000 increment is competitively priced and relatively low. The two most populated age groups in the VGLI program are the ages of 40–44 and 45–49, which together account for nearly 50 percent of all VGLI participants. The monthly cost for the $25,000 increment is shown below:

| Age-Group | Rate per $1,000 | Monthly Cost for a $25,000 Increment |
|---|---|---|
| 40–44 | $.17 | $4.25 |
| 45–49 | $.22 | $5.50 |

**Question 2(a):** If the VGLI price tag for a 75-year-old veteran is $20,520 per year, how could VA reduce this premium price?

**Response:** The premium quoted—$20,520 per year for a 75-year-old Veteran—is for $400,000 of coverage, the maximum amount available through VGLI. The amount of VGLI may not exceed the amount of an insured's Servicemembers' group life insurance (SGLI) coverage at the time of separation from service. Congress increased the maximum amount of SGLI to $400,000 effective September 30, 2005. As a result, there are no Veterans with VGLI age 75 or older who have $400,000 of coverage.

The Department of Veterans Affairs (VA) takes measures to keep costs as low as possible for Veterans, such as capping VGLI premiums at the rate charged to 75-year old Veterans. However, the VGLI program is self-supporting, and premiums must reflect the mortality experience of each age group.

There are, however, actions that VGLI insureds can take to reduce life-insurance costs. As is true in the commercial insurance industry, term life insurance becomes quite costly at advanced ages. However, the need for life insurance diminishes at older ages because financial responsibilities are reduced; mortgages are fully paid,

children are grown, and savings have accumulated. People often reduce their life insurance coverage to defray increased premium costs. For example, a 75-year old with $100,000 of VGLI coverage may switch to $50,000 of coverage to lower the annual premium from $5,130 to $2,565. VGLI insureds who want to maintain a high amount of coverage for their lifetime can convert to a permanent plan at a young age. VA regularly informs insureds that VGLI premiums will get more expensive as Veterans age and advises them to consider alternatives, such as reducing their coverage or converting to a permanent plan.

**Question 2(b):** Would VGLI be more viable and self-sustaining with fixed premiums, similar to some commercial insurance policies?

**Response:** If VGLI offered permanent rather than term insurance, premiums would have to be increased more than current VGLI premiums for term insurance in order for the program to be self-supporting. "Whole life" polices have fixed premiums; however, the premiums are more expensive at older ages. For example, a typical whole life policy in the commercial industry with $400,000 coverage has the following monthly premium rates: approximately $540 at age 45, $940 at age 55 and $1,688 at age 65. In comparison, the monthly rates for the same coverage under VGLI are $88 at age 45, $268 at age 55 and $600 at age 65. Because higher premiums would be required, we do not believe that VGLI would be more viable if it provided permanent rather than term insurance. Also, if VGLI offered permanent plans directly, the program's administrative costs would significantly increase.

**Question 3:** VA testified that 96 percent of veterans insured under VGLI have less than $400,000 in coverage. Can you provide the percent of veterans insured under the VGLI program for every $25,000 increment up to the $400,000 maximum amount?

**Response:** The percentage of Veterans enrolled in VGLI for every $25,000 increment in July 2009 is shown below:

| Coverage Amount | Percentage of Veterans Enrolled in VGLI |
|---|---|
| Less than $25,000 | 6 |
| $25,000— 49,999 | 4 |
| $75,000— 99,999 | 26 |
| $50,000— 74,999 | 1 |
| $100,000—124,999 | 26 |
| $125,000— 149,999 | 0 |
| $150,000— 174,999 | 4 |
| $175,000— 199,999 | 0 |
| $200,000— 224,999 | 16 |
| $225,000— 249,999 | 0 |
| $250,000— 274,999 | 11 |
| $275,000— 299,999 | 0 |
| $300,000— 324,999 | 1 |
| $325,000— 349,999 | 0 |
| $350,000— 399,999 | 0 |
| $400,000 | 5 |
| **Total** | **100** |

**Question 4(a):** VA testified that the cost of the optional increase in coverage would be offset by the premiums paid by the veterans who choose to buy extra VGLI coverage. How did VA make this calculation?

**Response:** VA used an actuarial model to project future reserve requirements for this proposal as well as the overall financial feasibility of this proposal. New insurance issued under VGLI would require the establishment of a financial reserve worth approximately 2.5 percent of the face value to provide for the difference between expected future claims and expenses and the expected future premiums.

The participation assumptions varied by age bracket because younger Veterans are more inclined to purchase optional coverage. Hence, we applied a 30 percent participation rate for Veterans up to age 39, a 20 percent participation rate for Veterans ages 40 to 49, and a 10 percent participation rate for Veterans ages 50 to 59. To minimize adverse selection and costs, coverage would be restricted to Veterans under age 60 and limited to increments of $25,000.

The increased premiums collected for higher coverage amounts would fund the estimated annual program cost of $10 million to establish initial reserves and additional coverage.

**Question 4(b):** Are there any variables or hidden costs that may affect this conclusion?

**Response:** We do not anticipate any significant variables or hidden costs.

**Question 5:** During our discussion at the hearing, the VA witness noted that VA continues to use a 1941 mortality table because it would be cost-prohibitive to change that practice. Can VA further explain the reasons and bases for that position in more detail?

**Response:** It is important to clarify that the VA witness did not state that it would be cost-prohibitive to change to the new mortality table, as is stated in this question. Rather, the witness stated that "generally it is a much higher cost to the government."

By law (38 U.S.C. § 1922(a)), service-disabled Veterans' insurance (S–DVI) premiums are based on the Commissioners 1941 standard ordinary (CSO) table of mortality with 2.25 percent interest. In 1951 when this program began, these premium rates were competitive with commercial insurance policy rates. Since life expectancy has significantly improved over the past 60 years, a more recent mortality table would reflect lower mortality and lower premium rates. The current S–DVI premium rates are no longer representative of "standard" rates, and in fact are more than twice as high as the standard rates in the new mortality table at most ages.

VA supports use of the 2001 CSO table of mortality to reduce S–DVI insured individuals' premiums and to align with current industry standards. Use of an appropriate and current mortality table would enable S–DVI premiums to correspond to life-insurance premiums charged by private companies to nondisabled Veterans, as is the original intent of the S–DVI program. The cost of updating premium rates to the 2001 CSO mortality table with an interest rate of 4.5 percent (which is the current mortality standard in the insurance industry) would result in a 5-year cost of $112 million and a 10-year cost of $232.6 million.

**Question 6(a):** For H.R. 2713, Congress intended to have the S–DVI coverage closely correspond to the private sector's premiums for nondisabled veterans, in your opinion, does this legislation accomplish this goal? Would the use of up-to-date mortality tables reduce the premiums sufficiently for Congress to achieve this goal?

**Response:** The provision in H.R. 2713 that would require VA to use an appropriate and current mortality table would enable S–DVI premiums to correspond to life-insurance premiums charged by private companies to nondisabled Veterans because the 2001 CSO table of mortality is used by private insurance companies to set premiums for policies issued after January 1, 2008.

Use of an appropriate and current mortality table would significantly decrease premium costs for S–DVI policyholders, as noted in the reply to question 5 above. The average age of Veterans applying for S–DVI is 56. The table below compares S–DVI premium rates at ages 40, 50, and 60 for ordinary life and term policies under the 1941 CSO table and the 2001 CSO table. The interest rate also changes from 2.25 percent with the current 1941 CSO table to 4.5 percent with the 2001 CSO table.

**Comparison of Current S–DVI Premium Rates with Updated Rates Monthly Premiums for $10,000 of Insurance**

| 5 Year Term Plan | | | Ordinary Life Plan | |
|---|---|---|---|---|
| Age | Current | Updated | Current | Updated |
| 40 | $5.80 | $1.60 | $21.60 | $9.80 |
| 50 | $11.90 | $3.70 | $32.30 | $16.20 |
| 60 | $26.00 | $10.00 | $51.00 | $27.90 |

**Question 6(b):** While H.R. 2713 will increase the life insurance maximum to $100,000, how will disabled veterans be able to satisfy the requirements for maximum coverage?

**Response:** H.R. 2713 would simply increase the maximum coverage amount to $100,000 and provide for a 2-year open season only for otherwise eligible Veterans who did not submit an application for S–DVI within the 2-year timeframe required by statute. It would not mandate any change to the current eligibility rules for obtaining S–DVI. Veterans would still have to meet the current statutory requirements, which include good health requirements for all conditions other than service-connected disabilities and (except for those affected by the open season "retroactive" portion of the bill) apply within 2 years of notification of a VA award of service connection. Veterans already enrolled in the S–DVI program would therefore not be eligible for the increased coverage.

Although purchasing S–DVI in excess of the current maximum amount of coverage would be more expensive, "open season eligible" Veterans rated totally disabled prior to age 65 would be eligible to have premiums waived for $100,000 of coverage. However, Veterans who already have $10,000 of S–DVI coverage could not increase coverage to the maximum allowed under the bill.

As described above, enactment of H.R. 2713 would create inequities between those already insured under S–DVI and those who would be insured as a result of enactment of H.R. 2713.

**Question 6(c):** If Congress made the rates more equitable with the private sector under the S–DVI program, do you think more veterans would be inclined to participate or does the private sector insurance industry just do a better job?

**Response:** Significant differences in premium rates would be unlikely if S–DVI used a mortality table as mandated in H.R. 2713 because the private sector uses the same mortality table for policies issued after January 1, 2008. However, many of the service-connected Veterans insured by S–DVI would either be denied insurance or charged higher rates in the private sector. Therefore, Veterans with service-connected disabilities would be more likely to participate in the S–DVI program with premium rates based on an appropriate and current mortality table as mandated in H.R. 2713.

**Question 6(d):** Please inform whether VA has proposed or is considering any of its own initiatives to improve S–DVI? Any of its other insurance programs?

**Response:** VA has a systematic process in place to regularly review, identify, and assess opportunities for additional improvements and expansion. VA submits legislative proposals in the annual budget request to Congress, and VA recently testified regarding the following bill provisions:

- **Section 101 of S. 728** would create a new life insurance program for Veterans who are less than 65 years old and have a service-connected disability. The program would target the same disabled Veterans as S–DVI but provide $50,000 of level premium term insurance using the 2001 CSO mortality table. At age 70, when insurance needs lessen for most people, the amount of coverage would reduce to 20 percent of the original amount, and no further premiums would be due. VA supports section 101, subject to appropriate funding.
- **Section 102 of S. 728** would increase the maximum amount of supplemental S–DVI coverage to $30,000. VA supports section 102 provided Congress identifies an offsetting source of funding.
- **Section 104 of S. 728** would increase the Veterans' mortgage life insurance maximum coverage amount from $90,000 to $150,000. VA supports section 104 subject to Congress identifying offsets.

**Question 7:** Please provide a cost estimate for H.R. 2713.

**Response:** The costs associated with H.R. 2713 are broken out below. Scenario 1 assumes participation rates ranging from 25 to 75 percent depending on the service-connected rating. Scenario 2 assumes participation rates ranging from 10 to 50 percent.

| Cost Elements of Proposal | 5–Year Cost ($ millions) | 10–Year Cost ($ millions) |
|---|---|---|
| I. New issues only (prospective) | $416 | $1,500 |
| II. Open season for current insureds* | $1,800 | $3,600 |
| III. Open season for all service-connected disabled Veterans who were ever eligible for SDVI (retrospective) | | |
| Scenario 1 | $5,100 | $12,300 |
| Scenario 2 | $2,500 | $6,100 |
| IV. Administrative cost | | |
| Scenario 1 | $203 | $203 |
| Scenario 2 | $102 | $102 |
| V. Total cost | | |
| Scenario 1 | $7,500 | $17,600 |
| Scenario 2 | $4,800 | $11,300 |

***Note:** VA believes the legislation as currently drafted would not allow current S–DVI policyholders to increase their coverage, which could be considered inequitable. (See response to 6b. above.) However, the cost of including these Veterans is shown in row II above.

**Question 8:** In testimony, VA contended that H.R. 2713 would go far beyond the appropriate legitimate policy goals normally associated with VA life insurance programs since there have been expansions of some of these programs already as well as the creation of new ones. Can you further explain why this is the VA's view?

**Response:** H.R. 2713 would exceed the policy goals associated with VA life insurance programs on two bases. First, under the current statute, a Veteran must apply for S–DVI within 2 years from the date VA determines that the Veteran's disability is service connected, unless the Veteran is shown to be mentally incompetent. H.R. 2713 would provide a 2-year open season during which certain service-connected Veterans who did not submit a S–DVI application and pay premiums could obtain S–DVI. Thus, Veterans who did not comply with the statute, whose disabilities may have worsened, and who have aged since being notified that their disabilities are service-connected would be allowed to purchase insurance at rates that place these disabled Veterans on par with healthy non-Veteran populations, particularly at younger ages.

Second, the amount of government support that would be required for H.R. 2713 would far exceed the amount of the current subsidy for the S–DVI program. The current S–DVI program is not self-supporting because the premiums for 45 percent of the policyholders have been waived, and because policyholders, who are disabled, pay standard premium rates but have a higher rate of mortality than healthy persons. As explained in VA's budget submission to Congress, VA has requested $40.1 million for the S–DVI program for fiscal 2010.

The proposal would increase costs because more disabled policyholders: (1) would enroll, (2) would be eligible for waiver of premiums, (3) would have a higher risk of mortality, and (4) would receive higher coverage amounts. We estimate that the 5-year costs for H.R. 2713 would range from $7.5 billion to $4.8 billion.

The alternative proposed in S. 728 would assist veterans with greater life insurance needs in a more cost-effective and programmatically sound way.

**Question 9:** What is the strategic plan for the Insurance Center to conduct better outreach and improve its educational services to veterans, their families and survivors about insurance?

**Response:** The insurance program's strategic plan for outreach efforts beginning in fiscal 2010 focuses on three major areas:

*More Precisely Targeting Our "Special Outreach to Disabled Veterans":* We individually call and follow-up with Veterans whose disabilities would affect their ability

to purchase commercial insurance. We inform them of their insurance benefits and explain their value. We are identifying recently separated Veterans with low percentage service-connected ratings who would have difficulty purchasing commercial insurance. This group will be added to our special outreach.

*Expanding Customer Access:* We provide Veterans with multiple avenues for accessing insurance benefits information and managing coverage for those currently insured.

*Improving Communications:* We provide Veterans with enhanced communication materials, including forms, applications, and program news, which are easy to understand, provide necessary information, and address the needs and concerns of specific demographic groups.

Additional Insurance outreach initiatives are described below:

- Expand training for branch of service casualty offices, Veterans service organizations, and other stakeholders;
- Enhance the insurance Web site to include additional self-service functions, Web chat, guidelines and manuals;
- E-mail information such as newsletters to Veterans and servicemembers;
- Use Department of Defense military news outlets (TV, newspapers, Web sites);
- Remind beneficiaries of the free beneficiary financial counseling service; and
- Provide a comprehensive package of information and applications and a series mailings regarding eligibility for VGLI upon separation.

**Question 10(a):** Currently, in calculating an accelerated benefit payment, VA applies an interest deduction for proceeds. H.R. 2968 would eliminate this. What rate is used to determine the interest deduction, how is it calculated?

**Response:** The discount rate for the accelerated benefit payment is updated monthly and is calculated using the 3-month Treasury bill rate rounded down to the nearest 0.25 percent.

**Question 10(b):** What would the average increase in accelerated benefit payments to terminally ill insured veterans if interest deductions are eliminated?

**Response:** Elimination of the discount increases terminally ill Veterans' benefit payments by varying amounts based on the discount rate and the benefit amount. The table below illustrates the discounting effect for someone who requests one-half of their $400,000 coverage (i.e., $200,000) at various discount rates.

| ABO Discount Rate | Discount for $200,000 Benefit |
|---|---|
| 0.25% | $379 |
| 1.00% | $1,513 |
| 1.50% | $2,266 |
| 2.00% | $3,018 |
| 3.00% | $4,516 |

**Question 11:** During the hearing, Ms. Carroll noted that survivors still need to go through the VBA for assistance and that the newly instituted Office of Survivors Assistance established under P.L. 110–389 is only acting as a policy office. The legislation states that the Survivor Assistance Office shall, "serve as a resource regarding all benefits and services furnished by the Department to survivors and dependents of deceased veterans and members of the Armed Forces." How is VA meeting this portion of the mandate?

**Response:** The Office of Survivors Assistance (OSA) meets this portion of the mandate by referring survivors and dependants of deceased Veterans and members of the armed forces to the appropriate office within VA for action on their claims and responses to their inquiries. This effort is consistent with Congress' expectation, expressed in the Joint Explanatory Statement on amendment to Senate Bill, S. 3023, as amended, that OSA would "ensure that policies and procedures are such that such survivors will receive appropriate referrals to the relevant administrations and offices of the Department, so that such survivors may receive all of the benefits and services for which they are eligible." Most claims/inquiries from survivors pertain to compensation, and therefore, OSA refers such inquiries to the Veterans Benefit Administration, which has the technical expertise to provide an accurate and

full response. In addition, OSA refers survivors to other administrations within VA, such as the National Cemetery Administration and the Veterans Health Administration, to address issues within their expertise.

**Question 12(a):** Congresswoman Halvorson correctly mentioned that totally disabled veterans have "limited or no opportunity" of obtaining commercial insurance and thus H.R. 2774 "maximizes" the opportunity for veterans to secure insurance. Has VA done an impact study on uninsured veterans?

**Response:** We have not conducted a specific impact study; however, we believe H.R. 2774 would be beneficial to totally disabled SGLI insureds and add minimal cost to the SGLI program.

**Question 12(b):** Does this additional 6-month stopgap measure address the underlying problems for disabled veterans in securing private insurance?

**Response:** Totally disabled Veterans are either entirely unable to obtain life insurance or can obtain life insurance only at prohibitively high premium rates due to their service-connected disabilities. This provision would extend free coverage under SGLI for 6 additional months and provide them automatic entry into VGLI without any underwriting. This extra 6-month period gives VA additional time to continue outreach and encourage Veterans to purchase VGLI.

**Question 12(c):** Can, or should, the proposed 24-month extension be lengthened even further?

**Response:** VA believes the 24-month extension is the appropriate length of time for the following reasons:

- It takes disabled Veterans 12 to 18 months following separation to adjust to civilian life and address medical concerns. Most Veterans are not ready to address other concerns such as life insurance until this time.
- Lengthening the SGLI disability extension would increase claims costs to the program and could increase SGLI premiums. The SGLI program is self-supporting, and members would have to cover the cost if death claims exceeds premium income. Commercial insurance companies typically provide a 31-day free conversion period for members to convert from a group term policy to an individual policy. The 24-month free conversion period for disabled SGLI insureds far exceeds the comparable free coverage period offered in the commercial industry.
- The 2-year period is consistent with the application time period for S–DVI.

**Question 13:** If inquiries and surveys have shown that veterans have wanted to increase their amount of SGLI coverage, then why has VA not been proactive in asking Congress to fund this benefit? Does it intend to request funding to support this increase?

**Response:** VA believes that this question refers to VGLI rather than SGLI based on the reference to Veterans in the question. In April 2005, VA took the initiative to explore the feasibility and advisability of offering VGLI policyholders an opportunity to increase their coverage. A survey of over 800 VGLI policyholders found that 60 percent wanted more coverage. We have been researching, developing, and reviewing effective and actuarially sound program designs and recently provided the Committee with technical advice regarding this concept. We believe H.R. 2379, the "Veterans' Group Life Insurance Improvement Act of 2009," is the best way to offer VGLI policyholders the opportunity to increase coverage. Premiums paid for extra VGLI coverage would offset any cost of the optional increase in coverage.

**Question 14:** Please confirm the conversion rate/participation levels for the VGLI program. Please inform whether there is any disparity between VGLI/SGLI and whether more parity between VGLI and SGLI be enough to decrease the attrition rate of the SGLI/VGLI transfer?

**Response:** The VGLI participation rate was 9.4 percent in 2008. The participation rate for Veterans with disabilities that might have trouble obtaining commercial insurance is 52 percent, and approximately 90 percent of Veterans with a 100 percent disability rating purchase VGLI. Since we began our special outreach program in 2001, 9,500 seriously disabled Veterans have purchased or been granted insurance coverage.

Despite extensive outreach efforts, some Veterans do not apply and purchase insurance from companies with similar value and cost to VGLI. The reasons why Veterans may not convert from SGLI to VGLI coverage are listed below:

- Employers frequently insure Veterans for little or no cost.

- The SGLI premium is 6.5 cents per $1,000 of coverage at all ages. VGLI premiums, which increase with age, may deter Veterans.
- Unmarried Veterans often believe they do not need life insurance.
- Recently returning Veterans perceive the risk of death to be much lower compared to their risk while in service and may not purchase any life insurance.