

**STATEMENT OF
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ASSISTANCE**

**VETERANS BENEFITS ADMINISTRATION
DEPARTMENT OF VETERANS AFFAIRS**

**BEFORE THE
HOUSE COMMITTEE ON VETERANS' AFFAIRS
SUBCOMMITTEE ON DISABILITY ASSISTANCE AND MEMORIAL AFFAIRS**

APRIL 25, 2018

Good morning Chairman Bost, Ranking Member Esty, and Members of the Subcommittee. Thank you for the opportunity to appear before you today to discuss the Department of Veterans Affairs (VA) Insurance Service and the current state of our programs.

Currently, VA insurance programs provide life insurance to nearly six million Servicemembers, Veterans, and their families for over \$1.2 trillion in insurance coverage and include the following programs:

VA administers four insurance programs for World War I, World War II and Korean era Veterans that chose to maintain their life insurance after they left the service. The United States Government Life Insurance (USGLI), National Service Life Insurance (NSLI), Veterans' Reopened Insurance (VRI), and Veterans' Special Life Insurance (VSLI) programs operate basically in the same manner. The maximum amount of basic coverage available under any of these programs is \$10,000. These policies pay annual dividends and policyholders can purchase additional protection by electing to use their dividends to buy paid-up additional (PUA) insurance. These programs are closed to new issues and are self-sustaining.

Service-Disabled Veterans' Insurance (S-DVI) was established on April 25, 1951, and remains open to new issues. S-DVI is open to Veterans separated from service, under other than dishonorable conditions on or after April 25, 1951, who are approved for service-connected disability ratings of zero percent or greater. Because S-DVI insures Veterans with service-connected disabilities at standard premium rates, it requires an annual subsidy from budget appropriations. S-DVI policyholders who are eligible for waiver of premiums can purchase up to an additional \$30,000 in coverage at standard rates, based on their current age. No waiver of premiums can be granted on the supplemental coverage.

Veterans' Mortgage Life Insurance (VMLI) is mortgage protection insurance that is available to Veterans who have received a Specially-Adapted housing grant to help build, remodel or purchase a home, who have the title to the home and are obligated under a mortgage on the home, and who are younger than 70 years old. VMLI provides up to \$200,000 of decreasing term insurance which reduces as the mortgage balance declines. It is payable only to the mortgage holder (i.e., a bank or mortgage lender), not to a beneficiary. Because VMLI insures Veterans with service-connected disabilities at standard premium rates, it requires an annual subsidy from budget appropriations.

Servicemembers' Group Life Insurance (SGLI) provides automatic coverage of \$400,000 to active duty Servicemembers, reservists and guard members, including the Coast Guard and uniformed members of the Public Health Service and the National Oceanic and Atmospheric Administration. Servicemembers can elect to reduce or decline the coverage. The SGLI participation rate is 99 percent for active duty Servicemembers and 92 percent for Reservists. SGLI coverage expires 120 days after separation, unless an extension of up to two years from separation is granted for a total disability incurred in service.

Family SGLI provides term life insurance to the spouses and dependent children of Servicemembers insured under SGLI. Family SGLI provides a maximum of \$100,000

of coverage for spouses and \$10,000 for dependent children. At the end of Policy Year 2017, 73 percent of eligible spouses had Family SGLI coverage. All dependent children are automatically covered and coverage cannot be declined.

SGLI Traumatic Injury Protection, or TSGLI, provides up to \$100,000 of automatic traumatic injury coverage to all Servicemembers who participate in the SGLI program. TSGLI provides a financial benefit to traumatically-injured Servicemembers to assist them with expenses incurred during long periods of recovery and rehabilitation. Since the program began in 2005, \$977 million has been paid to 17,700 injured Servicemembers.

Veterans' Group Life Insurance (VGLI) allows separating Servicemembers to continue their life insurance coverage after they separate from service. VGLI is renewable for life with the ability to convert to a commercial policy at any time. Separating members have 1 year and 120 days following separation to apply for VGLI, but if they apply within the first 240 days, they do not have to answer any health questions. If they apply between 241 days and 1 year and 120 days from separation, they must meet health requirements to be approved.

Overall, VA's life insurance programs remain in sound financial condition and are self-sustaining, with the exception of the S-DVI and VMLI programs that provide coverage exclusively to disabled Veterans. In Fiscal Year (FY) 2017, VA returned almost \$76 million in dividends to policyholders, paid over \$2 billion in death claim and endowment benefits, and disbursed over \$93 million in policy loans and cash surrenders. In addition, over \$30 million was paid in traumatic injury protection benefits. In total, over 95 percent of benefits disbursed and administrative expenses spent were reimbursed by premium collections or investment earnings.

Overview

Our mission is to provide high-value life insurance benefits and services to our Nation's Veterans, Servicemembers, and their families. For over 100 years, VA life

insurance programs have been providing Veterans, Servicemembers, and their families with the peace of mind and the financial security government life insurance coverage affords.

As mentioned previously, there are 10 different programs in VA's life insurance portfolio. Six of the programs are administered directly by VA, while four programs are administered by Prudential Insurance Company of America, with VA providing oversight. VA directly administers six life insurance programs that cover approximately 558 thousand lives for over \$7.8 billion in insurance coverage. Prudential Life Insurance Company administers four different programs of insurance, which provide coverage to over 2.2 million Servicemembers, over 431 thousand Veterans, and nearly 2.8 million family members for over \$1.2 trillion in coverage.

Organizational Structure

VA Insurance Service operations, central office functions, and information technology and programming support staff are co-located with the Philadelphia Veterans Benefits Regional Office at the Philadelphia Insurance Center. This integration of policy and operation functions for VA's administered insurance programs provides for short lines of communication from frontline employees through operations and program managers. This in turn results in focused effort, teamwork, and consistent service for our customers.

The Servicemembers' Group Life Insurance (SGLI) family of programs, including Veterans' Group Life Insurance, is administered by Prudential Insurance Company of America's Office of Servicemembers' Group Life Insurance, in Roseland, New Jersey. VA provides oversight to these programs.

Financial Status

All of VA's life insurance programs are independently audited each year. The VA Office of the Inspector General has given VA's administered programs an unqualified audit opinion for the last 26 years. For the last 6 years, the accounting firm of

CliftonLarsonAllen LLP has conducted the audit of Insurance Service's Chief Financial Officer Statements through a contract with the VA Office of the Inspector General. Prudential Insurance Company of America has contracted annually with PricewaterhouseCoopers LLP for an audit of the SGLI program since 1998. The program obtained favorable audits for Policy Years 1998 through 2017.

Performance

Insurance Service's most important performance measure is customer satisfaction. In FY 2017, 94.5 percent of our customers were satisfied or highly satisfied with the service they received from VA. We obtain these scores by sending out monthly surveys that encompass various aspects of our customer interactions and services. In FY 17 we delivered 4,270 surveys and received approximately 1,935 responses representing a 45 percent return rate.

We periodically validate our survey results by participating in an American Customer Satisfaction Index (ACSI) study to independently review and measure customer satisfaction. ACSI is an independent survey that benchmarks customer satisfaction for more than 300 companies and a variety of services. In 2015, VA's life insurance programs received a strong customer satisfaction score of 81 on a scale of 100 from the ACSI. The aggregate customer service index score of 81 was higher than the life insurance industry benchmark score of 77.

In addition to VA's customer satisfaction score, our other internal measures such as zero percent toll-free blockage, 16 seconds average speed of answer, 1.4 percent abandoned call rate, and benefit disbursements paid in 4.4 workdays compare favorably with the private insurance industry. Further, the VA Insurance Service Internal Controls staff ensures the integrity of all financial disbursements in VA's administered programs, with over 99.95 percent of over \$1.2 billion in payments made properly.

Enhancements

Traumatic Injury Protection Year-Ten Review

SGLI Traumatic Injury Protection (TSGLI) provides up to \$100,000 of automatic traumatic injury coverage to all Servicemembers who participate in the SGLI program. TSGLI provides a financial benefit to traumatically-injured Servicemembers to assist them with expenses incurred during long periods of recovery and rehabilitation. Since the program began in 2005, nearly \$977 million has been paid to approximately 17,700 injured Servicemembers.

In late 2014, VA initiated a comprehensive review of the program to assess proposals for program improvements, clarify complex eligibility standards, identify opportunities for administrative and operational enhancements, and determine if the program is meeting its congressional intent. We reviewed approximately 1,850 adjudicated claims, and consulted with medical experts at 18 different military, VA, and private medical facilities. As a result of this review, we are pursuing revisions for some of the loss standards in the program. Specifically, we are preparing enhancements to the TSGLI education materials and drafting a proposed rule to amend the TSGLI regulations, among other efforts to enhance the program.

SGLI Online Enrollment System (SOES)

VA was pleased last year to introduce SOES, which allows active duty and eligible reserve and guard members to manage their SGLI coverage and Family SGLI coverage online. SOES replaces the prior paper-based process and brings the SGLI program in line with current insurance industry best practices. It will allow our troops to have 24/7 access to make changes to their life insurance coverage amount and beneficiaries.

VA collaborated with the Department of Defense, the Defense Finance and Accounting Service, the Defense Manpower Data Center, and the uniformed services to develop SOES. The system is being rolled out to the branches of service. Last year, Navy was the first to implement SOES in April, followed by Air Force in August and

Army in October. Later this year, SOES will be rolled out to the Marine Corps, Coast Guard, and the National Oceanic and Atmospheric Administration. As of March 12, 2018, more than 796,000 service members have confirmed and certified coverage in SOES.

Meeting Veterans Needs

VA's Insurance Service remains committed to providing our Nation's heroes with life insurance options that are equal or superior to those offered by private insurance companies. We continually strive to meet our customers' needs and provide services at a comparable cost to industry standards. To this end, in FY 2017, we conducted over 200 interviews with Veterans and Veterans Service Officers across the country to gain a deeper understanding of Veterans' life insurance needs. Survey findings show that statutory eligibility criteria and application deadlines associated with VA's disabled Veterans' life insurance programs are preventing some disabled Veterans from obtaining life insurance coverage through VA. Our research also shows that some disabled Veterans wish to purchase more life insurance from VA than they are currently eligible for under existing VA programs.

Closing Remarks

Mr. Chairman, thank you for your continued support of our programs and for this opportunity to address the Subcommittee today. This concludes my statement. I would be pleased to answer any questions you or other Members of the Subcommittee may have.