

**STATEMENT OF
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BEFORE THE
SUBCOMMITTEE ON DISABILITY ASSISTANCE AND MEMORIAL AFFAIRS
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
ON
"VA MANAGEMENT OF LIFE INSURANCE PROGRAMS FOR
SERVICEMEMBERS AND VETERANS"**

APRIL 25, 2018

Chairman Bost, Ranking Member Esty and distinguished members of the subcommittee; on behalf of National Commander Denise H. Rohan and the 2 million members of The American Legion, we thank you for the opportunity to testify regarding the Department of Veterans Affairs (VA) Life Insurance Programs. The American Legion is the largest veterans service organization, representing nearly one-hundred years of resolutions-based and grassroots advocacy.

The American Legion has directly assisted veterans and their dependents for the past 40 years by providing a Chief of Insurance Activities at the VA Insurance Center in Philadelphia. The American Legion's work in assisting these individuals allows us to bring over four decades of experience before this subcommittee.

A congressional oversight hearing on VA's life insurance programs was last conducted in 2003. We are thankful for Chairman Bost and Ranking Member Esty's leadership in addressing this matter. Current programs are outdated and impose an unnecessary burden on veteran policyholders. The table of mortality has not been updated in over 75 years, benefits are still measured in 1951 dollars, and service-disabled veterans are unable to access adequate supplemental insurance due to current statutory limitations. Further, servicemembers who submit a claim via the Servicemembers' Group Life Insurance Traumatic Injury Protection (TSGLI) often experience denials because their claim is processed utilizing an incorrect burden of proof.

Background

The VA currently administers six life insurance programs, four closed and two open to new issues. The four are the United States Government Life Insurance (USGLI) program; the National Service Life Insurance (NSLI) program; the Veterans Special Life Insurance (VSLI) program; and the Veterans Reopened Insurance (VRI) program, which covers veterans who served during World Wars I, II, and the Korean Conflict eras. The two open ones are the Service-Disabled Veterans Insurance (S-DVI) program and the Veterans Mortgage Life Insurance (VMLI) program, which covers severely disabled veterans.

The closed programs are mature with steadily declining amounts of policies due to natural demographics and aging population. As of November 2017, there are approximately 360,000 active policies, a decline from six million during the 1970's and early 1980's.¹

In addition to the life insurance programs directly operated by the VA, the department also has general supervisory authority over two other major government life insurance programs. These are the Servicemembers Group Life Insurance (SGLI) and the Veterans Group Life Insurance (VGLI) programs, which provides coverage to members of the uniformed armed services, reservists, and post-Vietnam veterans and their families. All SGLI insureds are automatically covered under the Servicemembers' Group Life Insurance Traumatic Injury Protection (TSGLI) program, which provides for insurance payments to veterans who suffer a serious traumatic injury in service. VA has entered into a group policy with the Prudential Insurance Company of America to administer these programs.

As a matter of historic note, 2019 marks the 100th anniversary of USGLI, just as it does for the American Legion. The program was established to meet the needs of World War I veterans, but remained open to servicemembers and veterans with service before October 8, 1940. More than four million life insurance policies had been issued during WWI.² The program was closed to new issues on April 25, 1951.

As of 2017, there were just 124 active policies remaining, with the policy holder's average age of 95.³ Since January 1, 1983, all USGLI policies have been paid-up, with no further premiums becoming due. Annual dividends are still paid on these policies.⁴

The Government became a self-insurer because private insurance companies were unwilling to assume the unpredictable risks associated with war. The Government became the largest life insurer in the United States at the time with the coverage provided by this program.⁵

SGLI and VGLI

Servicemembers' Group Life Insurance (SGLI) is low-cost term insurance for members of the uniformed services. SGLI coverage is available in \$50,000 increments up to the maximum amount of \$400,000. Servicemembers are automatically insured for the maximum coverage amount of \$400,000 unless they decline coverage or elect a reduced amount.

The SGLI program, through a group policy issued by the Prudential Insurance Company of America, provides low-cost term insurance protection to servicemembers. It is supervised by the VA Regional Office and Insurance Center located in Philadelphia, PA, but administered by the Office of Servicemembers' Group Life Insurance (OSGLI), part of Prudential's Insurance Division and is located in Roseland, New Jersey.

¹ <https://www.va.gov/oig/pubs/VAOIG-17-01219-24.pdf>, pg. 84.

² <https://www.investopedia.com/terms/u/united-states-government-life-insurance-usgli.asp>

³ <https://www.va.gov/oig/pubs/VAOIG-17-01219-24.pdf>, pg. 84.

⁴ <https://www.investopedia.com/terms/u/united-states-government-life-insurance-usgli.asp>

⁵ Paul H. Douglas, "The War Risk Insurance Act," *Journal of Political Economy* 26, no. 5 (May, 1918): 461-483.
<http://www.disabilitymuseum.org/dhm/lib/detail.html?id=3008&&page=all>

SGLI members have two options available to them upon release from service. They can convert their full-time SGLI coverage to renewable term insurance under the Veterans' Group Life Insurance (VGLI) program or to a permanent plan of insurance with one of the participating commercial insurance companies.

These insurance issues are solely group term insurance without dividends, disability benefits, or diverse types of permanent plans with equity values such as the individual policy contracts contained in VA's directly administered programs. As of February 2018, SGLI provided about 5 million active duty and reserve personnel, spouses and dependents with life insurance coverage, while VGLI covered roughly 431,000 veterans.⁶ The OSGLI center processes several thousand death claims annually with minimal other transactions due to the very limited nature of the coverage as group term insurance only. Currently, claims arising from military operations in the Middle East and Central Asia are processed within a week from the time the last required document is received at OSGLI.

VGLI began in 1974, with a retroactive open provision back to 1970. However, from 1965 to 1969, veterans leaving service had only 120 days to convert their SGLI to a private plan of insurance with a participating commercial company or coverage was lost. Until 1992, VGLI was initially a five year non-renewable term policy, at the end of which a veteran had to convert to a private plan of insurance with a participating commercial company or coverage expired.

Today, in order to convert from a SGLI to a VGLI policy, a veteran must apply within one year and 120 days from discharge from active military service. A servicemember who submits an application within 120 days of their discharge isn't required to submit evidence of good health. No doctor's examination is required as long as the application for conversion is made within this time frame. Should a servicemember wish to apply for the conversion after the 120 day period, however, they will be required to submit evidence of good health via a doctor's examination.

VGLI has several advantages over a civilian life insurance policy because if the veteran applies within 120 days of leaving active duty they will not be required to take a physical or make a statement of health. In addition, if they apply to VGLI directly after leaving the service and within the 120 day window, VGLI premium rates are only based on age, and not health, gender, smoker or non-smoker, or other factors. If the veteran has health factors that may preclude them from life insurance eligibility, then they should strongly consider VGLI. VGLI also has no membership or enrollment fees.

There are disadvantages to converting SGLI to VGLI, however. The maximum amount of life insurance coverage a veteran may convert to VGLI is limited to the maximum amount of coverage they had under SGLI. While guaranteed acceptance is convenient, it comes at a cost. VGLI rates are affordable for younger veterans, but maintaining this coverage becomes quite expensive in later years. This is because the only factor determining VGLI premiums is age. The result is that a \$400,000 policy costing only \$32 monthly for someone age 29 or younger increases significantly every five years. By age 75, that premium reaches a staggering \$1,840 per

⁶ <https://www.va.gov/oig/pubs/VAOIG-17-01219-24.pdf>, pg. 84.

month. Additionally, VGLI only offers term life insurance. This means the policy has a death benefit only, without building any cash value as an investment.⁷

Overall, The American Legion sees the SGLI/VGLI programs as being generally adequate, given its present funding mandates, for providing an affordable, at ages below 65, crucial life insurance benefit for active duty personnel, their families, and the veteran community.

TSGLI

Servicemembers' Group Life Insurance Traumatic Injury Protection (TSGLI) provides automatic traumatic injury coverage to all servicemembers covered under the SGLI program. It provides short-term financial assistance to severely injured servicemembers and veterans to assist them in their recovery from traumatic injuries. TSGLI is not only for combat injuries, but provides insurance coverage for injuries incurred on or off duty. The program helps injured servicemembers and their families alleviate financial burdens with a payment ranging from \$25,000 to \$100,000.

TSGLI became effective December 1, 2005 and currently provides traumatic injury coverage as per a published schedule of losses caused by such physical injuries. On November 26, 2008, VA issued new regulations because of extensive reviews to expand the TSGLI schedule of losses and the time involved. Additions to the TSGLI schedule included expansion of definitions for total and permanent loss of sight, hearing, speech, and various types of paralysis. Other additions included certain types of amputation, limb salvage, facial reconstruction, burns, injuries resulting from authorized use of controlled substances and traumatic brain injury effects.

TSGLI claims are adjudicated and decided by the military service department involved, and not by VA. The VA insurance website contains the application forms, schedule of losses and service department addresses for claims submittals and points of contact. The appeals process for TSGLI claim denials is also outside the purview of VA. TSGLI procedures allow up to three notices of disagreement on claim denials for administrative reviews, or the pursuit of the claim in federal district court.

A 2009 U.S. Government Accountability Office (GAO) study found that the VA approved fewer than 63% of claims filed for a traumatic brain injury. The GAO further found that the program lacked consistency across branches and lacked assurances that decisions about benefit payments were accurate.⁸

GAO made a recommendation for action. The first was that “to improve management of the TSGLI and ensure that all injured servicemembers receive accurate, consistent, and timely treatment, the Secretary of VA should work with the Secretary of Defense and the branches of service to implement a systematic quality assurance review process to help ensure that TSGLI benefit decisions are accurate and consistent within and across the services.”

⁷ <https://www.nerdwallet.com/blog/insurance/best-life-insurance-policy-veterans/>

⁸ GAO-09-108: Published: Jan 29, 2009. <https://www.gao.gov/products/GAO-09-108>

The GAO report webpage currently shows the recommendation closed and implemented commenting that:

*The Department of Veterans Affairs (VA) has taken a two-pronged approach to implementing this recommendation. First, VA's contractor, the Office of Servicemembers' Group Life Insurance, created a claims analyst position. This analyst works with VA and the branches of service to review all incoming claims to validate decisions and develop reports to assess consistency of claims decisions across the branches of service. These reports identify opportunities for training needs and changes to the claims process. As of March 2010, the analysis of claims has resulted in two training sessions for the branches of service on a range of topics, including the consistency and quality of claims decisions.*⁹

The American Legion, in preparing for this testimony, found that this claims analyst position is no longer active. This raises the question of how VA is currently assessing consistency and quality of claims decisions.

In addition, The American Legion, in speaking with attorneys representing TSGLI claimants, has been told that the military services are not consistently applying the proper burden of proof. An example can be found in *Yearwood v. United States of America* (2015). In this case, the Court found that the military service appeals body “required the plaintiff to prove his assertion by a preponderance of the evidence, rather than merely by substantial evidence, and in so doing, erroneously reversed the burden of proof by failing to give the plaintiff the benefit of the doubt as required by § 5107(b).”¹⁰

S-DVI

The Service-Disabled Veterans Insurance (S-DVI) program started in 1951 and as of February 2018 presently has some 275,000 active policies. The current policy provides for a maximum coverage of \$10,000 with a premium waiver provision for veterans under 65 unable to attain gainful employment. To be eligible for coverage, a veteran must apply within two years of having been rated by VA for a new service-connected disability, must be in good health except for those disabilities that have been rated service-connected, and must have been released from active duty on or after April 25, 1951.

There is a related Supplemental S-DVI program allowing veterans an additional \$30,000 in coverage only if the basic S-DVI is in force and the veteran is under the age of 65. The veteran must apply within one year of the premium waiver being granted on their basic S-DVI policy. Under the current policy, there is no premium waiver provision for Supplemental S-DVI. The VA Insurance Center advises veterans who have been granted a disability premium waiver on the basic S-DVI and who are under age 65 about the Supplemental S-DVI option. This notification is included in the premium waiver grant notification letter for basic S-DVI, but this is a one-time mailing.

⁹ <https://www.gao.gov/products/GAO-09-108>

¹⁰ <https://law.justia.com/cases/federal/district-courts/alabama/alndce/5:2014cv01599/152631/19/>. Pages 22-23.

Fundamentally, S-DVI cannot be compared to any available private insurance policy as most of the veteran policyholders have serious disabilities which render them uninsurable in the private sector. These programs, unlike most of the closed mature insurance program mentioned earlier, are subsidized by federal funds appropriated by Congress. These subsidies are an effort by Congress to ensure that the most vulnerable veterans do not fall through the cracks.

Recommendations for S-DVI

Current rates for both S-DVI and supplemental S-DVI provide the same per one thousand dollars of coverage per month. However, plans and premium rates are based on an outdated 1941 Commissioners Standard Ordinary (CSO) Table of Mortality. The use of the 1941 CSO Table of Mortality in turn provides expensive premiums and causes an undue burden on veteran policy holders that can be remedied by congressional legislation.

Enacting legislation that updates a 77 year old table of mortality would provide immediate relief to an unnecessary burden on veterans. Updating the established mortality table to a more current table could effectively reduce premiums between 30% and 40%. It is important to note that some veteran policyholders utilize their VA disability compensation to meet the obligations of their premiums. These veterans are the most vulnerable and therefore depend on their VA disability compensation to pay for much more than just their immediate living necessities.

The current \$10,000 maximum coverage limit for S-DVI dates from 1951 when the purchasing power equivalent of \$10,000 today is some \$95,000 according to the Bureau of Labor Statistics, equivalent to an 858% increase in the Consumer Price Index (CPI). This practice is obsolete and constitutes a gross inequity to the service-disabled veteran community. The level of coverage should be increased to an appropriate amount consonant with today's economic realities.

Further, many veterans applying for S-DVI or supplemental S-DVI are denied coverage because they fall outside the present statutory time limit for applying. A veteran is eligible to apply for S-DVI within two years from the date of their last original service-connected rating. Yet, any increase in rating for already service-connected disabilities is not defined as falling within the purview of being original claims.

The American Legion encourages this subcommittee and the 115th Congress to consider an extension of the S-DVI eligibility period and the inclusion of rating increases as meeting eligibility criteria. Election for enrollment for coverage under Supplemental S-DVI must be made within a year of being granted a premium waiver. However, notifications are made via a one-time letter included in the mailing stating that the policyholder has been granted a premium waiver on their original S-DVI. It has been The American Legion's experience that veterans, not infrequently, have no recollection of receiving this notification. This is due in part to either their medical conditions, their inability to understand the notification, or misplacing the letter at the time of receipt, therefore missing the opportunity to enroll. The American Legion recommends the VA send veterans eligible for Supplemental S-DVI a reminder two to three months before the expiration of their one-year enrollment period.¹¹

¹¹ The American Legion Resolution No. 249 (Sept. 2016): [*Amend the Eligibility Requirements and Extend the Eligibility Time Period for Service-Disabled Veterans Insurance*](#)

For many severely disabled veterans, S-DVI is the only life insurance coverage available to them. Though other government-sponsored programs may have existed when the servicemember was released from service, many veterans in their younger years may not have the foresight to take action on long-term financial matters, such as life insurance. Others simply cannot afford to meet the costs of a policy at the time of separation. Legislation has been introduced in the current Congress, H.R. 4146: the *Disabled Veterans' Life Insurance Act of 2017*, that would remedy many of the issues that currently exist with S-DVI program, such as updating the antiquated mortality and annuity tables, increasing the maximum benefit cap, and extending the enrollment eligibility to 10 years.¹²

VMLI

The Veterans Mortgage Life Insurance (VMLI) program insures about 2,601 veterans with up to a maximum of \$200,000 in mortgage coverage. The National Association of Insurance Commissioners approved the use of the 2001 Commissioners Standard Mortality Table as the new mortality standard for life insurance. As such, in October 2006 the VA Secretary implemented the use of the 2001 table rather than the previous 1958 table. By doing so, VA was able to reduce premiums for the program an average of 37%. However, many veterans are still unable to access the VLMI because of stringent and outdated criteria. Currently, only those individuals who qualify for special adapted housing grants and who are under the age of 70 can participate in VMLI. It is The American Legion's experience that many of the individuals with service-connected conditions have injuries of greater severity than those included in the current criteria. The American Legion has adopted a resolution urging Congress to extend this program to include veterans who are rated by VA as permanently and totally disabled rather than only those who qualify for VA special adapted housing grants.¹³

Conclusion

As always, The American Legion thanks this subcommittee for the opportunity to elucidate the position of the 2 million veteran members of this organization. For additional information regarding this testimony, please contact Assistant Director of the Legislative Division, Jeff Steele, at (202) 861-2700 or jsteele@legion.org.

¹² <https://pearce.house.gov/press-release/pearce-introduces-veterans%E2%80%99-life-insurance-bill>

¹³ The American Legion Resolution No. 120 (Sept. 2016): [*Extend Department of Veterans Affairs Mortgage Protection Life Insurance to Service Connected Veterans Who are Permanently and Totally Disabled*](#)